**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 | Shift Project, Ltd |
| Activity | Advisory to Financial Institutions |
| Are you representing an association? |  |
| Country/Region | International |

**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>

We fully support ESMA’s aims of strengthening the social indicators. The inclusion of new mandatory indicators is essential to this aim, as well as for improving alignment with the European Sustainability Reporting Standards. We fully support the inclusion of the following indicators:

1. **Share of employees earning less than the adequate wage:**

This indicator provides critical insight into the extent to which portfolio companies are exacerbating or reducing the systemic risk of inequality, respecting the human right of workers to a living wage, and contributing to a just transition.

1. **Interference in the formation of trade unions or election of worker representatives:**

This is integrally related to the indicator on adequate wages since the opportunity to join a trade union and, through that, to bargain collectively, are not only human rights but critical to ensuring the fair distribution of value in our economies, and reducing inequalities. Evidence shows clearly that where workers are not able to be represented and to bargain collectively, wages grow more slowly than where these human rights are met.  
  
This said, the indicator as formulated risks failing in its objective, since it focuses simply on statements from companies as the basis for assessing non-interference. Yet such statements are sometimes reflected in practice and sometimes not, and investors will lack the resources to make individual enquiries to try to discern the difference. We therefore propose that the indicator include also an element on transparency regarding trade union and/or collective bargain coverage for workers. It would therefore read:

**Interference in the formation of trade unions or election of worker representatives and transparency on trade union and collective bargaining coverage.**

This additional information would enable an assessment of the evidence that company statements are reflected in company practice: it is generally not credible for a company to maintain that it is committed to non-interference when zero employees have chosen to exercise their rights regarding union participation – that is an unlikely reality for any large company. At a minimum, those are the situations that would require scrutiny by investors.

<ESMA\_QUESTION\_SFDR\_1>

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

<ESMA\_QUESTION\_SFDR\_2>

We would recommend to change the three following indicators from opt-in to mandatory indicators and to modify them as explained below:

**1. Excessive use of non-employee workers in investee companies;**

**2. Excessive use of non-guaranteed hour contracts in investee companies; and**

**3. Excessive use of temporary contract employees in investee companies**.

These indicators are critical to understand the levels of precarity within a company’s workforce and investor portfolio, as well as the related risks to workers’ human rights, implications for inequality, and related risks to the business. ILO data clearly shows that non-employee workers generally receive lower wages, work longer and more irregular hours, and have less access to social security benefits and protection from employment termination. They are more likely to be exposed to occupational safety and health risks, forced labour, and restrictions on their freedom of association and collective bargaining rights. Companies’ non-employee workers may have some protections from such outcomes within the EU but lack these in other jurisdictions.  
  
However, the use of the term ‘excessive’ in these indicators makes them hard to apply in practice, both because it is undefined and because considerations of what is ‘excessive’ may vary by industry, depending, for example, on the legitimate seasonality of work. We therefore propose that the term ‘excessive’ be replaced by ‘significant’ and that the indicators include a provision regarding explanations of whether these workers are in fact provided with an adequate wage and social security. The indicators would therefore read:

**1. Significant use of non-employee workers in investee companies, in the absence of an explanation that they are provided with an adequate wage and social benefits;**

**2. Significant use of non-guaranteed hour contracts in investee companies, in the absence of an explanation that they are provided with an adequate wage and social benefits; and**

**3. Significant use of temporary contract employees in investee companies, in the absence of an explanation that they are provided with an adequate wage and social benefits**.

This formulation would enable an important distinction between between portfolio companies that use significant proportions of workers in these forms of relationship but also provide minimally decent working conditions, and those that provide no evidence of such decent treatment. This insight would enable investors to focus on the areas of highest risk in their portfolios with regard to workforce composition and decent work and to reflect that in their own disclosures. It would reflect the language of the related ESRS disclosures.

<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>

As set out in our response to Q2, we support the first three of these indicators and propose that they should be moved into the ‘mandatory’ category, for the reasons explained there.

Regarding the remaining two indicators, we do not believe that these have the capacity to provide meaningful information for investors, and propose they should be amended or deleted. More specifically:

* Regarding the indicator that reads, ‘Insufficient employment of persons with disabilities within the workforce’, we would note that there are significant differences between EU Member States regarding the legality of providing data that would correspond to this indicator. Moreover, there is no clarity as to what could or should be deemed ‘insufficient’. ESMA might either delete this indicator or modifty it to refer to a ‘**Lack of transparency regarding employement of persons with disabilities**’, whereby both a statement by companies regarding the level of their employment of persons with disabilities, or a statement providing a legitimate reason why they cannot secure or provide such data may be judged a reasonable response.
* Regarding the two indicators related to grievance mechanisms, while we fully support the need for companies to have effective operational-level grievance mechanisms in place for groups who may be negatively impacted by their operations, the simple fact of having a mechanism in place does not enable investors to assess whether it is in any regard effective as a means of identifying and addressing the concerns of stakeholders. Evidence shows that this is too often not the case. These indicators would therefore conflate both good and bad practice and as such provide no insight of value at the level of a portfolio. It would rather risk encouraging portfolio companies to put in place tick-box mechanisms without attention to their purpose and efficacy. The information necessary to make that judgment will not be readily available to investors at scale. We therefore propose the deletions of these two indicators.

<ESMA\_QUESTION\_SFDR\_3>

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

<ESMA\_QUESTION\_SFDR\_4>

We recommend that ESMA consider a small number of additional social indicators that are aligned with the ESRS and which provide valuable insight into portfolio companies’ social performance. Please note that in response to Question 5, we also propose some deletions of indicators that lack the ability to provide meaningful insight, such that adding the ones suggested here would still leave a net reduction in the number of indicators, as compared with those proposed by ESMA.

* **‘The percentage of women in management positions’:** this indicator would provide greater clarity on companies’ diversity and corporate culture than simply the proportion of women in their governing bodies.
* In addition, the following indicators provide insight into the extent to which portfolio companies’ governing bodies are attuned to and exercising necessary oversight of material sustainability matters, and would be valuable additions for investor insight and investor disclosures:
* **The availability of expertise on material sustainability matters to the investee company’s management, administrative and oversight bodies**
* **Transparency regarding both the processes through which the governing bodies are informed about material impacts, risks and opportunities and sustainability due diligence, and the sustainability matters specifically discussed by these bodies**
* **Significant paymenttimes to small and medium enterprises**

<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>

**We would propose that ESMA delete PAI indicator #10 in Table 1 of Annex I and preserve, in amended form, indicator #11.**

Indicator #10 does not enable meaningful information for investors, nor meaningful information about their portfolios. The UN Guiding Principles and OECD Guidelines are standards of conduct with regard to respect for human rights. They relate to human rights impacts across companies’ operations and value chains, including instances where companies may cause or may contribute to impacts through their own activities, or where impacts may be linked to their operations, products or services through a business relationship, without contribution on their part.

While the corporate responsibility to respect human rights is a baseline expectation of all companies, this should not be understood to mean that a company can easily ‘comply’ with this expectation and move on. This is not, in essence, a compliance exercise – it’s about the way a business thinks about and understands how its decisions and actions, including with regard to its choice of business model, strategy and value chain partners, can create risks to vulnerable people’s human rights, and how it adapts and learns in order to reduce those risks.

The challenging nature of human rights harms and their relationship to corporate activities and value chains means that the human rights risk context is frequently changing and requires that human rights due diligence is an on-going process. At present, few companies have extended such due diligence fully across their operations and upstream and downstream value chain. It takes time.

As a result, an indicator regarding ‘violations’ of these standards of conduct is meaningless to all intents and purposes. If it is reduced simply to an assessment of lawsuits and formal complaints, that vastly underestimates the issues warranting attention in a portfolio. If it is interpreted to mean all the human rights harms occurring at any time that should be subject to due diligence, then no portfolio company would ever meet the grade.

In this regard, indicator #11 is a better guide for investors assessing portolios, and we strongly advise that indicator #10 be deleted.

With regard to Indicator #11, we fully support the need to replace the reference to the UN Global Compact Principles (a voluntary, if laudable, set of principles that companies have to sign up to) with the UN Guiding Principles on Business and Human Rights (a standard of conduct endorsed by governments and which applies to all companies.) These two standards reference the human rights contained in the International Bill of Human Rights and in the ILO Declaration on Fundamental Principles and Rights at Work. The indicator should therefore be amended to avoid confusing the two standards of conduct with the two sets of standards that enumerate sets of human rights. We propose that it should read:

**Lack of processes and compliance mechanisms to monitor compliance with the UN Guiding Principles on Business and Human Rights or the OECD Guidelines for Multinational Enterprises, including with regard to the principles and rights set out in the eight fundamental conventions identified in the ILO Declaration on Fundamental Principles and Rights at Work and the International Bill of Human Rights**

We also note that the metric for this KPI does not reflect the language of the indicator, as it refers only to policies, and not to relevant processes. Furthermore, it would be importantto align it further with ESRS 2 Disclosure Requirement GOV-2. As such, it would read:

**Share of investments in investee companies without policies or processes, including a sustainability due diligence process supported by internal controls and board oversight, to enable and monitor compliance with the UN Guiding Principles on Business and Human Rights and OECD Guidelines for Multinational Enterprises**

We would highlight that, amended in this way, this indicator would cover the issues currently covered in human rights indicators in Table 3, enabling a further reduction in these indicatorsMany of those indicators could be deleted without any loss of valuable information regarding investor portfolios, for the reasons set out below:

* **Indicator #1: Investments in companies without workplace accident prevention policies**

This KPI is of little value absent the actual data on accidents and injuries provided by Indicator #2. Moreover, the majority of companies have some kind of OHS policy, since it is frequently a legal requirement, and this indicator provides no clarity regarding the quality of that policy or the efficacy of its implementation.

* **Indicator #4: Lack of supplier code of conduct**

Supplier codes of conduct vary widely in their quality and content. They can be aligned with international labor rights standards, or fall to lower standards. Some companies use their relationships with suppliers to ensure they have the capabilities to implement their codes; some assume they do so without checking; and some blame them if they fail to do so without considering whether their own purchasing practices make it hard for suppliers to comply with the codes. The fact of having a supplier code of conduct is therefore not a meaningful indicator. It risks misleading investors as to what they can reasonably assume about companies’ performance when they have this information, and in turn will mislead those assessing investor portfolios.

* **Indicator #7: Incidents of discrimination**

This indicator fails to enable a distinction between portfolio companies where employees do not report incidents because they are afraid to do so or don’t know how to, and portfolio companies where there are no reported incidents because those companies have taken care to prevent discrimination. Moreover, at a company where a mechanism to report discrimination is trusted, there may be more reported incidents than at a company where there are more actual cases of discrimination but there is no trust in the ability to report them and have them addressed. Where incidents do arise, the more important information is how the company remedies the situation and takes action to avoid recurrence. This indicator fails to meet that need.

* **Indicator #8: Excessive CEO pay ratio**

There is evidence that this type of indicator, and the transparency it has created round CEO salaries, has in practice created a competitive race upwards in remuneration on the part of both CEOs and remuneration committees, thereby increasing inequality rather than curbing it, as was the intent when be introduced. We propose its deletion and again underline the value of having a mandatory indicator on the provision of an adequate wage to employees, as the better way to gain insight into how value is distributed in portfolio companies, and whether companies – and portfolios – are actively contributing to the systemic risk of growing inequality.

* **Indicator #9: Lack of human rights policy**

This indicator gives no insight into whether the policy is good or bad, implemented or not implemented. It is not a basis on which to assess whether risks to human rights are being effectively identified and addressed by portfolio companies. The intent behind its inclusion can be better met through the proposed reformulation of Indicator #11 in Table 1, as set out above, which addresses the implementation of a policy through company systems.

* **Indicator #10: Lack of due diligence**

This indicator is better addressed through the proposed reformulation of Indicator #11 in Table 1, as set out above, which would address due diligence and avoid duplication between these indicators.

* **Indicator #11: Lack of processes and measures for preventing trafficking in human beings**

The metric for this KPI does not reflect the language of the indicator. The indicator refers to processes and measures, whereas the metric is limited to the existence of a policy. As such, it has the same limitations and problems as Indicator #9 on human rights policy.

* **Indicator #12: Operations and suppliers at significant risk of incidents of child labour**

Child labor is typically an endemic problem in certain industries and geographies, and less so in others. The generalized level of risk in (often shared) supply chains offers little insight, even if it is accurately measured (which is often not the case). The relevant information is whether companies in investor portfolios are part of the solution to this phenomenon or whether they are exacerbating it through their practices. By contrast, this indicator risks incentivizing companies not to identify risks of child labor in order to reduce the ‘risk’ level they report, whereas good practice is to seek out instances so they – and their root causes – can be addressed.

* **Indicator #13 Operations and suppliers at significant risk of incidents of forced labour**

This indicator has the same problems as indicator #12, with the heightened difficulty that forced labor is a typically hidden issue given that workers in situations of forced labor are typically afraid to come forward and hard to identify through classic social audits. This makes the very premise of estimating levels of risk even more dubious as a basis for an indicator.

* **Indicator #14: Number of identified cases of severe human rights issues and incidents**

As in the case of indicator #7 in Table 3, this indicator provides no definition of what would be considered a ‘severe human rights issue or incident’. It would conflate situations where portfolio companies identify issues and take effective action to address them, provide any necessary remedy and learn lessons, with situations where portfolio companies ignore incidents and make no changes to their practices. Investors precisely need to be able to distinguish these so they can recognize and reward companies taking effective action and address those that fail to do so through their engagement strategies or investment decisions.

<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>

We would suggest including a social KPI that focuses on the most typically material considerations for this industry. This might be articulated as follows:

* **Indicator: Sustainability due diligence process for impacts on vulnerable workers in the value chain**
* Metric:Due diligence process implemented to address impacts on workers involved (a) in construction and (b) facility management services, including with regard to (i) operational health and safety (ii) the payment of adequate wages, and (iii) equal labor rights protections for non-employee workers, temporary workers and workers with non-guaranteed hours.

<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>

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<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>

TYPE YOUR TEXT HERE

<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>

Technical changes would be required in a number of cases to align with proposed amendments to indicators outlined in our responses to questions 1, 2 and 5 above.

<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>

We support this proposal as an important contextual data point that enables clarity regarding the sources of information used in response to the indicators.

<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>

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<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>

We would strongly advise against adopting a one-size-fits-all rule for the inclusion of the value chain in PAI calculations. This would more appropriately be addressed in each relevant PAI since the nature of the value chain information required may differ between KPIs. With regard to social indicators related to sustainability due diligence and the implementation of the UN Guiding Principles on Business and Human Rights and the OECD Guidelines, while these require information related to the investee company’s value chain, this information is not quantitative, but concerns qualitative information about how the investee company’s due diligence addresses impacts in the value chain. There is no reason such information could not be reported by any investee company.

<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>

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<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>

TYPE YOUR TEXT HERE

<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>

TYPE YOUR TEXT HERE

<ESMA\_QUESTION\_SFDR\_16>

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

<ESMA\_QUESTION\_SFDR\_17>

TYPE YOUR TEXT HERE

<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>

TYPE YOUR TEXT HERE

<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>

TYPE YOUR TEXT HERE

<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>

TYPE YOUR TEXT HERE

<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>

TYPE YOUR TEXT HERE

<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>

TYPE YOUR TEXT HERE

<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>

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<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>

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<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>

TYPE YOUR TEXT HERE

<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>

TYPE YOUR TEXT HERE

<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>

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<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>

TYPE YOUR TEXT HERE

<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>

TYPE YOUR TEXT HERE

<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>

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<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>

TYPE YOUR TEXT HERE

<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>

TYPE YOUR TEXT HERE

<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>

TYPE YOUR TEXT HERE

<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>

TYPE YOUR TEXT HERE

<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>

TYPE YOUR TEXT HERE

<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>

TYPE YOUR TEXT HERE

<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>

TYPE YOUR TEXT HERE

<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>

TYPE YOUR TEXT HERE

<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>

TYPE YOUR TEXT HERE

<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)