**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-3). 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 | BEAMA |
| Activity | Investment Services |
| Are you representing an association? |  |
| Country/Region | Belgium |

**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 agree with these suggestions in principle. However, we have a number of comments to which the proposed **indicators should be conditional before any implementation**.  
Many asset managers currently don’t have data available for most of these indicators. It seems **difficult to get these data in a relatively short amount of time** and the **asset managers doubt the availability of these at data providers**.

**Disaggregated tax data** is not always available through third-party providers – however, the introduction of this metric may incentivize its provision. In addition, this information would be provided in the annual management reports of underlying undertakings and it is therefore important to clarify that (a) the amount of accumulated earning and (b) the list of non-cooperative tax jurisdictions will be “frozen” as per the management report, until the next annual management report is published.

As regards **interference with the formation of trade unions or election of worker representatives**, BEAMA is concerned that a policy commitment on non-interference in the formation of trade unions or election of worker representatives may not always equate to non-interference. Therefore, **clarification may be warranted either in the terminology/definition** used or in the methodology. As it is practically difficult to assess whether companies avoid interfering with union formation in practice at all times, one solution might be to refer to “formal commitment to non-interference in the formation of trade unions or election of worker representatives may not always equate to non-interference”.

As regards “**adequate wage**”, BEAMA understands that its definition is aligned with ESRS, but is concerned that the **term “adequate” may be confusing**. The ESRS definition is, in effect, one of the living wage, which BEAMA would generally prefer. Using the term “living wage” or clarifying the relationship between the “adequate” wage and the living wage would be helpful. BEAMA would also encourage **clarification on the definition of employees** used in the formula to explain whether this includes permanent employees only.

Furthermore, BEAMA would like to stress that the **current PAI statement is already very long** and adding even more indicators will not contribute to a better understanding by the investors. Our proposal would be to **limit the amount of mandatory indicators and leave the others to the discretionary of the asset manager**, leaving more room to focus on those that are relevant and for which data quality is solid enough.

To our understanding, the **SFDR level 2 review** shall in priority **ensure that PAIs in SFDR and in CSRD delegated acts (ESRS standards) are fully aligned**:

* In terms of scope: any PAI listed in SFDR (table 1, 2 & 3) should be subject to a non-voluntary standard datapoint under CSRD/ESRS. This means that if some datapoints are made optional in the ESRS, that the relevant PAI shall be removed from (or not added to) SFDR.
* In terms of definition.
* In terms of materiality: based on the recent ESRS draft delegated acts, disclosures and datapoints within each standard will be subject to materiality assessment by the reporting entity. As a consequence ESAs and the Commission shall consult main stakeholders in order to provide clear guidance as to how the resulting missing data points shall be considered by FMPs (for the entity reporting, for the DNSH assessment,…).

Also, it is of the utmost importance **not to worsen the data gap issue FMPs are facing due to the sequential issues in the application of SFDR and CSRD** (de facto limiting also the capacity to estimate missing data). Therefore:

* The application date of any addition to the PAI list under SFDR shall be aligned with the date of application of the reporting obligations under CSRD/ESRS – at least for large undertakings.
* If the date of application of standard datapoint is postponed under CSRD/ESRS, then a temporary suspension of the related PAI from the SFDR list shall be considered.

<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>

BEAMA agrees in principle, but in practice, these **proposals need much more clarity**. Absent clarification, these proposals shall not be added to the list.

The **term “excessive**” is **not defined clearly** in the document (or the ESRS) and thus would likely require that authorities provide quantitative thresholds or further guidance. In addition, the 3 PAIs may be merged (non-guaranteed-hour + temporary contract + non-employee workers).

In addition, the **inclusion of people with disabilities**, although a welcome addition to the list of optional PAIs, will likely have **poorer data coverage given the national differences** in reporting regulations around certain types of disabilities, local norms and the challenge of encouraging voluntary disclosures by employees.

Many asset managers on the Belgian market currently **don’t have any data available for these indicators**. It seems **difficult to get these data in a relatively short amount of time** and the **asset managers doubt the availability of these at data providers**.

BEAMA also would like to stress that the **current PAI statement is already very long** and adding even more indicators will not contribute to a better understanding by the investors. Our proposal would be to **limit the amount of indicators**.

As stated in our answer to question 1, the **SFDR level 2 review** shall in priority **ensure that PAIs in SFDR and in CSRD delegated acts (ESRS standards) are fully aligned, and** it is of the utmost importance **not to worsen the data gap issue FMPs are facing due to the sequential issues in the application of SFDR and CSRD.**

<ESMA\_QUESTION\_SFDR\_3>

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

<ESMA\_QUESTION\_SFDR\_4>

No.

<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>

BEAMA **agrees with the proposed changes in principle**, as this would strengthen alignment across sustainable finance and social responsibility regulations, as well as enhance alignment with global norms and best practices.

Yet, at the same time, BEAMA is concerned that **the proposed formulae** for both violations of the UN Guiding Principles and ‘policies to monitor compliance with or no available grievance and complaints handling mechanisms to address violations of at least one international guideline or principle’ **require further clarification so as to avoid confusion** as to what would constitute compliance with the UN Guiding Principles, and therefore, what acceptable monitoring policies and processes, as well as UN Guiding Principles’ violation would entail. For instance, at a minimum, entities would need to demonstrate evidence of continued human rights due diligence and monitoring of human rights risks as well as formal commitment to access to remedy. However, defining what constitutes a violation would be more challenging. Asset managers on the Belgian market have learnt from the example of the UN Global compact violations, for instance, that the burden of evidence is high, and there are disagreements on what constitutes violation amongst third-party data sources in the absence of global agreement on the matter. **BEAMA would therefore welcome further consultation on the definition of relevant metrics.**

<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>

BEAMA agrees that this could be of interest but **usually in real estate, the social indicators are analyzed at building level** (relation to main stakeholders i.e. tenant, property manager, technical manager for the efficiency of the building main equipment) **and not at macro level**. Thus, it would be more relevant to set up this requirement at building level where the main ESG impacts and challenges are.

<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>

This ESA’s proposal raises **two main issues**:

1. **Unequal definition and quality of the regional EPC** which may penalize or favor some buildings according to their locations.
2. Existence of **very few detailed and relevant and pan-European benchmarks** that helps to define the top 30%, which may exclude from the top 30% high energy efficiency and ESG quality buildings.

The issue therefore first stands in **having a unique definition of EPC** and **having a common benchmark,** and thus not local and/or commercial initiatives. Provided these two conditions are met, this could be relevant and avoid any “unfair competition”.

<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>

According to BEAMA, the current guidance of using ‘enterprise value’ and the valuation of investments only at the end of the year **is an accounting treatment** and not something that can easily have an influence on day to day portfolio management. The same holds for the guidance that the latest ESG data should be used for all quarters in the previous year.  
**A portfolio thus invests in instruments at a time when the portfolio manager does not yet know the valuation of the instrument nor the ESG data point that will be used in next year reporting**.

According to BEAMA, **the interaction** between the definition of ‘enterprise value’ and ‘current value of investment’ **can present some challenges when calculating the PAI indicators on a quarterly basis**. Indeed, there can be inconsistences between the ‘enterprise value’ (tax year end of the underlying) and the ‘current value of investment’ (which changes anytime in the year).

BEAMA believes the ‘current value of investment’ shall be assessed at market value as of the calculation date, in full alignment with the value of all investments i.e. the assets under management or NAV at a specific date.  
**Applying the share price as of the fiscal year-end** (as per the ESAs’ Q&A dated November 2022) is not only an **operational challenge** but could also be **inappropriate** as the number of units/shares issued by the company may have changed since year-end (corporate actions,…) and therefore in the current position.  
The most suitable approach would therefore be to use the latest available ‘entreprise value’ or an estimation of the entreprise value at the calculation date when possible.

Therefore, to reduce the bias in the PAI impact calculation, **BEAMA recommends**, for transparency and consistency purposes, modifying the Q&A, as well as the definition of entreprise value in the proposed Annex 1, going forward, **allowing an approach based on market prices to calculate the detention percentage at each quarterly calculation point that would rely on a quarterly estimation of the enterprise value.**

<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>

First and foremost BEAMA would like to emphasize that it is **very important that ESAs ensure the new formulae and definitions of PAIs under SFDR are fully consistent with the standards (EFRAG ESRS) as they will be adopted by the European Commission in the delegated regulation to come**.

More specifically, the formulae proposed call for the following comments:

1. We **appreciate the following changes** proposed by the ESAs bring clarity and consistency:
   1. **Board gender diversity indicator**: The formula included in the consultation has male board members as the numerator instead of female board members currently. This allows consistency across PAIs: the higher the value, the more adverse the impact.
   2. **Number of identified cases of severe human rights issues and indicators**: the reference to the weighted average basis has been removed.

These changes may **however raise operational issues so that the market aligns all at once on the new calculation formula and on the impact on disclosures.**To this extent, **guidance as well as sufficient time for implementation** will be welcome in this respect. Also it is important these **changes only occur on Jan 1st** so as to limit the impact on the average PAI calculation within the reported year.

1. **More clarity is expected on the following PAIs**:
   1. **“Amount of accumulated earnings in non-cooperative tax jurisdictions”**: given this information would be provided in the annual management reports, it is important to clarify that (a) the amount of accumulated earning and (b) the list of non-cooperative tax jurisdictions (prevailing in the management report) will be “frozen” on the period, until the next annual management report.
   2. Regarding **sovereign GHG intensity**, reference to country’s GDP should be clear that this should be the PPP-adjusted GDP (PPP = purchasing power parity) as recommended by PCAF. The PPP adjustment of GDP allows for comparing the real sizes of the economies and the output by subtracting the exchange rate effect and mitigates the negative effect for countries where production and emissions are concentrated.
   3. Concerning the “**gender pay gap**” indicator, the formula floors the gender pay gap at 0. However, to address the gender gap, companies where females are paid more than males should also be addressed. Thus, the formula should allow for negative values in cases where women are paid more.
2. For the **“energy consumption intensity per high impact climate sector”** indicator, obtaining the information needed for the nominator and denominator (energy consumption and revenues belonging to NACE) can be difficult, especially for conglomerates operating in multiple NACE sectors.  
   BEAMA suggests that as long as there is no reporting obligation of this indicator per NACE sector applicable to the underlying investee company, that the overall energy consumption intensity is then allocated to the NACE sector with the highest share in the company’s revenues.
3. **“Share of non-renewable energy consumption and production”** indicator. BEAMA welcomes that the proposed wording now clarifies a requirement to split between consumption and production (as was the case in the EET).

<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>

In addition to our comments in question 9 on the proposed formulas of existing PAIs, BEAMA would like to emphasize the following:

* The current **misalignment of SFDR and CSRD timelines generate data gaps** which will only be reduced once CSRD is fully applicable to underlying undertakings.  
  **This data gap affects the accuracy and reliability of the results, even when best efforts are made to collect or estimate the data**:
  + Different frameworks, reporting standards, and methodologies used by investee companies can make it difficult to compare and aggregate data consistently.
  + Data availability and quality can vary significantly across different companies, industries, and regions which can bring some bias.
  + Qualitative information, such as company policies, management practices, processes and compliance mechanisms is particularly difficult to appreciate and estimate in the absence of reporting obligations, and requires judgmental and expertise assessment which can lead to very different result by data providers or FMPs.
  + For some PAIs, more particularly # 5, 6, 7, 8, 9 & 12 (in the current numbering), the collection of the raw data is so low that assessing/estimating the missing data gap is quite a challenge.
* To this extent, **ESAs could consider**:
  + **Determining thresholds of coverage** (the coverage rate being the coverage by raw data and estimates) below which the PAI may become optional or not applicable or allowing for extrapolation on investments with missing data even if the coverage is low and may not be meaningful for all underlying investments.
  + **Aligning the application date** of any addition to the **PAI list under SFDR** with the date of application of the **reporting obligations under CSRD/ESRS**. Adding/modifying PAIs shall not lead to increasing the current data gap issues.

As stated above, the **SFDR level 2 review** shall in priority **ensure that PAIs in SFDR and in CSRD delegated acts (ESRS standards) are fully aligned, and** it is of the utmost importance **not to worsen the data gap issue FMPs are facing due to the sequential issues in the application of SFDR and CSRD.**

<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>

According to BEAMA, this **does not add any value** as data providers also rely on information published by the companies. Contrary, it **adds to complexity** in a statement that is already too long to be read by end investors.

In addition, while disclosing the share of investments for which FMPs rely on information directly from investee companies is good practice, the **first priority should be addressing the coverage ratio defined** as i.e. the share of investments with **reported data** from investee companies **AND** with **estimates** (by third party providers or FMPs).  
*See our response to question 10 for the underlying rationale.*Disclosing such a coverage ratio of the PAIs (ie investments with reported PAI data and estimated data, over “all investments” as defined in our response to question 12) provides a more accurate and detailed picture of the PAI data disclosed by FMPs.

For consistency and comparison purposes across FMPs, it would also be relevant to clarify that **the PAIs disclosed should be “rebased”** so as to extrapolate the value of PAIs of “uncovered” investments based on the PAIs of the covered investments. Indeed, leaving the PAIs of uncovered investments at zero would underestimate the overall PAI value and give a reward to low coverage.

<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>

According to BEAMA:

* **“All investments”** in the denominator shall be the **exposure to eligible assets** i.e. the type of investment to which the PAI relates (investee company PAI over investments in companies, sovereign and supranational PAI over investments in sovereign and supranational assets, real estate PAI over real estate assets).  
  This brings consistency and allows to measure and compare (at one point in time and over time) the impact on the relevant assets where investment decisions can be made to take the PAIs into account.  
  It helps making comparisons as to how PAIs are managed by the entity (or in a product) and avoids the dilution effect of a denominator based on the AuM. For example: when based on all assets under management, allocating more cash or government bonds in a fund could “improve” or “deteriorate” the PAI linked to investee companies “artificially”.
* This should however be **completed by** the disclosure of the **eligibility ratio** i.e. **the eligible asset exposure over the Net Asset Value** (rather than Assets under Management which do not exactly match the volume of investments from end investors in the financial products).  
  This is more particularly relevant at product level. It allows end investors (who can in turn be FMPs subject to reporting and DNSH assessment obligations) to get a picture of the impact of their investment in the financial product for 1 € invested (= PAI on eligible assets/ eligibility ratio) and also to proceed with any aggregation of the PAIs of their portfolio’s direct and indirect (through funds, fund of funds,…) eligible investments.

As far as derivatives are concerned, they would be considered as detailed in our response to question 14. And, similarly to the above, the derivatives that would be looked through would be taken into account based on the “eligibility” of their underlying.

Furthermore, BEAMA wants to point out that the ESMA-approach related to this question has a huge impact on the IT-systems of asset managers and on the calculation methods. Asset managers will need sufficient implementation time to make the necessary changes.

<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>

One potential challenge in including information of investee companies that are not reporting under the ESRS is that information on the value chains of investee companies may not always be readily available, especially for smaller companies or those operating in less transparent industries. In addition, it may make it more difficult to compare the impact of different investee companies because the reporting standards may differ between companies, making it challenging to compare the impact of companies with similar activities.  
Thus, **inclusion of this information when not accessible in an easy or uniform way would increase complexity** for data providers, meaning more time is needed to implement.

More complexity also means **higher costs**, which is especially an issue for managers with lower AuM.

In conclusion, this may make it difficult for financial market participants to include this information in their assessments. This approach may face challenges related to **limited availability of information**, **increased reporting burden**, **lack of comparability, and higher costs**.

BEAMA agrees with the proposal to only require the inclusion of information on investee companies’ value chains in the PAI calculations where the investee company reports them.

<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>

The idea of making a level playing field between **direct line exposure and synthetic exposure is good but technically very difficult to implement**. Netting can get complex. How do you report a portfolio of direct lines that is hedged with a short future on an index? Not all names will match.

BEAMA suggests to **only apply the proposed treatment** of derivatives in the PAI indicators for funds that **invest in derivatives in a structural way and primarily, as part of their investment policy**.

Regarding the principle put forward to consider the **end physical investment information**, as this is **not an available data for the industry**, asset managers will not be able to take into consideration the value chain principle and the end physical investment.

If our above procedure is not possible for the ESAs, please take into account our comments below:

The **methodology proposed by ESAs differentiate** the consideration of **derivatives in the PAI** indicators on one side, and the **Sustainable Investment (SI) proportion and the taxonomy alignment** on the other side, **on the ground of “greenwashing risk”.**

BEAMA is of the opinion that **one same approach shall and can fit PAIs, % SI and % taxonomy alignment while mitigating greenwashing risk**:

* **Derivatives are investment decisions and**, similarly to their consideration in existing fund regulations, **they should not be treated differently**.
* ESAs are reluctant to integrate derivatives (long expo) for the % SI or % taxonomy because, when the denominator is the NAV, and the numerator the equivalent exposure, it inflates the % systematically. But in our approach below (denominator with equivalent exposures, as the numerator, not at NAV/mark to market), this “greenwashing” issue is no longer relevant.

Please find herewith **our proposed approach for PAIs, % SI and % taxonomy alignment**:

1. **Scope:**

Derivatives shall **generally be “looked through”** for ESG consideration, more particularly when they provide exposure to single names or to a chosen basket of names.  
There are however **« irrelevant » derivatives listed below that should be disregarded i.e. excluded from the numerator and the denominator**, for the following reasons:

* **Foreign exchange (FX) and interest rate (IR) derivatives** are “out of scope” and therefore “neutral” or “colourless” for the computation of PAIs, % SI or % taxonomy. Indeed, they do not expose investors to “sustainable or non sustainable activities”, unlike a bond or an equity.
* Derivatives **used temporarily and/or for efficient portfolio management techniques** (ramp-up periods, beta and duration hedging, temporary derivative following large subscriptions or redemptions) in financial products. These exposures/hedges are temporary and carried out for specific purposes which intention is not linked to the ESG objective of the product. They are usually achieved through (non ESG) index derivatives or fixed income futures on sovereign issuers.

1. **Exposure of “relevant” derivatives shall be taken into account [for PAI, SI and taxonomy]:**
   * In equivalent exposure i.e. with the delta approach (also prevailing for AIF/UCITS ratios).
   * At numerator.
   * And at denominator.

Compiling derivative in equivalent exposure at **numerator and denominator** allows **consistency**, which is key when the indicator is a proportion (% SI, % taxonomy) or when it shows the adverse impact of all the exposure of the fund to eligible assets.  
In addition, the **greenwashing risk that ESAs** seem to point out for taking long exposures in % SI or % taxonomy **does not exist if the denominator is including all relevant derivatives in equivalent exposure**, unlike a denominator left at NAV/mark to market. For example, suppose the underlying issuer of the derivative is not sustainable, the derivative equivalent exposure will be put at the denominator, but 0 (=not sustainable) will be at the numerator, resulting in a decrease of the overall % SI when integrating such derivative.

What is sought here is to **provide the volume of PAIs or the portion of sustainability relative to the exposure of the portfolio**. This is an **approach in “economic exposure”** which therefore does not have to assess whether the counterparty has physically invested in the underlying.

As suggested in our response to question 12, **only derivatives on “eligible” issuers shall be considered in the numerator and denominator of the PAI** and the “eligibility” ratio shall provide the proportion of eligible exposure, including derivatives.

1. **Long and short positions are netted per issuer;**Either asset managers should **consider derivatives on both sides, or they should not consider them at all**. However, BEAMA agree that the **net position on one issuer** could be **floored at 0** so as to avoid “negative” SI or PAIs.
2. **Total Return swaps for synthetic exposures (structured products and ETFs)**:  
   In any case, for structured products and passive management using synthetical replication of an index:
   * The “physical” portfolio swapped against the performance shall be disregarded.
   * The performance leg of the swap shall be considered for PAIs as well as for SI and taxonomy alignment in a look through “delta” approach as detailed above.
   * A closed-end product such as a structured fund or note should be allowed to freeze the delta at launch of the product during the life of the product.

Furthermore, BEAMA wants to point out that the ESMA-approach related to this question has a huge impact on the IT-systems of asset managers when they have to make the required disclosures. Asset managers will need sufficient implementation time to make the necessary changes.

<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>

According to BEAMA, **derivatives should be valued at market value** to include in calculations of total investments.

If a **positive attribute** is attached to a derivative (taxonomy or sustainable investment), then the asset manager should transparently and clearly indicate to what extent this is derived from derivatives and how this is done and moreover to the maximum on a netted position. However asset managers attaining this primarily via direct exposures should not be forced to make minor adjustments implying investments in IT to deal with this complexity.

BEAMA would only consider enforcing this for **negative attributes** when long positions are primarily build via derivatives.

**There should not be any distinction in the way derivatives are considered, whatever the indicator (PAI, % SI and % taxonomy)**. Derivatives should be considered as investment decisions and both long and short positions should be considered. For the sake of consistency, derivatives should be considered (or not considered if irrelevant) **consistently in the numerator and the denominator**. This approach, described in our response to question 14, mitigates greenwashing risk.

Furthermore, we also refer to our answer on question 14.

<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>

BEAMA is of the opinion that no other asset classes than equity, fixed income corporates and sovereign should be considered.

<ESMA\_QUESTION\_SFDR\_16>

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

<ESMA\_QUESTION\_SFDR\_17>

According to BEAMA, there are **other problems with SI rather than the DNSH sub-component**.

In the SFDR assessment and possible L1 review **scrapping the very notion of SI could even be envisaged**.  
SI is not comparable especially for the contribution test, which characterizes SI more than DNSH.  
**The DNSH in Taxonomy is not quantitative, but qualitiative (mostly Y/N alignment with EU environmental regulation)**.

Absence of data in the context of non-EU issuers or small issuers raises concerns, notably in contexts where the availability of such data is not realistic to expect (for instance in frontiers markets) and the need to mobilize sustainable capital flow of great importance – these markets will be excluded from SI.

<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>

BEAMA does **not** see the **added value of expanding disclosures on the DNSH assessment of sustainable investments**. A sustainable investment is a combination of contribution, DNSH and good governance. Expanding the existing disclosures on one constituent of the SI does not help making pertinent comparisons of the overall SI assessment. In addition, ESAs are well aware of the **absence of a clear definition of sustainable investment in SFDR (level 1) which make comparisons in the SI assessment quite challenging** – even for a professional investor. The SI topic is clearly one of the key topics that should be left out of level 2 consideration in the short-medium term.

In addition:

* Thresholds on certain PAIs may have to be appretiated in different relative ways (e.g. on a sectorial basis).
* Thresholds can also usefully be applied through binary tests (Y/N), and not quantitatively as is the case with the Taxonomy DNSH.
* Data availability can limit the number of PAIs where thresholds are meaningful.
* The contribution test is more likely to exclude oil and gas from SI than DNSH. Oil and gas can in any case be present in the non-SI pocket of an article 8 portfolio.

<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>

The **SFDR DNSH test is at entity level** **while** the **taxonomy DNSH test is activity based**. As a result, the **safe harbour can only apply if all the activities of an entity are aligned with the taxonomy**.  
Therefore, BEAMA agrees that not reapplying a full SFDR test to Taxonomy-aligned investment would boost investment in use of proceeds instruments such as green bonds.

The **“safe harbour” exemption should be kept optional**.

<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>

BEAMA **disagrees with this ESAs view**.  
Taxonomy DNSH is done at the very granular activity level for a limited number of activities. ⬄ The investment universe of SI can instead encompass a vast number of economic activities.

In the long term, the asset managers hardly see why two parallel concepts of “sustainability” would be maintained: **there could be only one concept of sustainability based on the taxonomy**, **complemented with a “transition” concept** in order to finance transitioning firms that are not taxonomy aligned but aim at being aligned.

These long term considerations are linked to the SFDR assessment.

<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>

BEAMA wants to point out that it is not only DNSH that drives comparability of SI – **in the absence of a clear definition of the concept of SI, comparing methodologies does not help much end investors in comparing the outcome**.  
Focus on the **availability and quality of the associated PAIs** is in any case **crucial to increase comparability**. PAIs have to be material and well covered in terms of reported data.

Approaches that focus on issuers’ performance relative to the industry is consistent with the best-in-class approach applied by the Taxonomy in setting activity-level thresholds for the substantial contribution test.

<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>

As a general remark, BEAMA wants to point out that for those PAIs that are mandatory under SFDR, that investee companies should also be obliged to report this data under CSRD via ESRS.

BEAMA does **not agree**.  
The amount of data in the entity level statement is overwhelming for end investors in financial products. BEAMA would make the disclosure of **a chosen set of 3 environmental PAIs and 3 social PAIs mandatory** and leave **all other PAIs to the discretion of the asset managers** in an annex to the legal template.

BEAMA suggests to also simplify and shorten the annexes to prospectus and annual reports to the essence.

BEAMA suggests setting the target in intensity terms, both in absolute target numbers and reduction percentages (always in intensity terms) compared to the baseline. In light of this suggestion, BEAMA **supports the adoption of PCAF as reference standard**.

BEAMA also **suggest to use corporate disclosure standards for investee companies that require the separate disclosures of GHG off-sets**.  
Therefore, at fund level, BEAMA **supports the proposal to set financed emission targets in gross terms**.  
If **financed emission targets are set in gross terms**, then **the separate target setting related to off-sets of investee companies** (in association with baseline, intermediate target and final target), with the burden for the FPM to retrieve this information on a best-effort basis (also investing in data providers and direct engagement), **is not proportionate and decision useful**.  
BEAMA also suggests **that the “progress on off-sets” template** (e.g. in Annex IV for art8) **is removed**.  
When the FMP commits to off-setting the residual portfolio emissions, the disclosure of off-setting targets and progress against targets is instead sensible.

<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>

BEAMA is **supportive of this idea**.

<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>

In BEAMA’s view, **the 3 options a-b-c should not be construed as mutually exclusive**, and an option “d) Other – (Explain)” could be added. Indeed:

* It should be **left to the FMP to set its own decarbonization strategy at the product level**, and then disclose in the website.
* In particular, b) should not be interpreted in the sense that a product can only invest in companies that have set decarbonisation targets (line-by-line approach), while c) alone seems insufficient.
* BEAMA would like to highlight that lack of a sector allocation constraint in a) could lead to overstating the carbon reduction efforts (through a shift from high carbon sectors to sectors with low decarbonization potential such as media, IT, financials during the life of a product).
* A sector allocation constraint is also part of the PAB/CTB minimum requirements.

<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>

The disclosure are presented in a binary way: either the product is aiming to be aligned with 1.5 degrees or it’s not aiming to be aligned to 1.5 degree – alternatively, there is the possibility to say that the alignment has not been assessed.

In our view, **the possibility for article 8 products to be aligned with 1.5 degrees is excluded from the template (Annex II) for no plausible reason**.

BEAMA acknowledges that methodologies for the determination of temperature alignment are not well developed.

The fact of **having an objective of alignment with 1.5 degree should not replace the disclosure of a quantitative GHG reduction targets**.

<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>

As BEAMA reads it, the draft delegated act (art. 14a 1b) actually states that the target should be calculated on **all investments to which the PCAF standard (as referred in the ESRS) applies**. This approach is reasonable.

<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>

In our view, a **direct reference to PCAF would be preferable**, instead of an indirect reference through the ESRS of CSRD delegated acts. Therefore, BEAMA is supportive of the PCAF standard, which has been widely adopted at the investment industry level.

BEAMA suggests setting the target in intensity terms, both in absolute target numbers and reduction percentages (always in intensity terms) compared to the baseline. BEAMAthus **supports the adoption of PCAF as reference standard**.

BEAMA also **suggest to use corporate disclosure standards for investee companies that require the separate disclosures of GHG off-sets**.  
Therefore, at fund level, BEAMA **supports the proposal to set financed emission targets in gross terms**.  
If **financed emission targets are set in gross terms**, then **the separate target setting related to off-sets of investee companies** (in association with baseline, intermediate target and final target), with the burden for the FPM to retrieve this information on a best-effort basis (also investing in data providers and direct engagement), **is not proportionate and decision useful**.  
BEAMA also suggests **that the “progress on off-sets” template** (e.g. in Annex IV for art8) **is removed**.  
When the FMP commits to off-setting the residual portfolio emissions, the disclosure of off-setting targets and progress against targets is instead sensible.

<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>

As mentioned under our suggestion in question 22, according to BEAMA:

* The requirement to **report gross GHG reduction targets** (not netted of off-sets) **is sensible**.
* Therefore, **once the targets are set in gross terms, the requirement to also set targets on off-sets seem redundant, and constitutes a considerable burden for FMPs with no real added value**.
* Reporting on off-sets would make sense if targets had to be set in net terms.
* **Reporting on off-sets should be mandatory only when the FMP declares that either it will off-set residual emissions of the product, or that it will take into account the off-sets of investee companies.**

<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>

BEAMA is **not supportive of this suggestion**. There is no added value from connecting/mixing entity-level disclosures and product-level disclosures.

<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>

First of all, BEAMA would like to point out that **changing the disclosure templates is a burdensome process within an organisation and has a big impact**.

Therefore, the ESAs should **start by clarifying what the pre-contractual disclosure (PCD) is aiming at**. Its complexity (even with simplified language) makes it more of a technical appendix to the prospectus than a readable and understandable document for retail investors; Needless to mention the volume of the PCD (which can lead up to a thousand of pages for the prospectus of umbrella funds). This can discourage the most motivated investor. Clearly, **a simplified language, or a dashboard or colour codes, will not prevent from the need of a profound redesign of disclosures to retail investors, but even make it more complicated**.

Furthermore, the **proposed changes come too early and do not allow to leverage on “informed” feedback from investors**. The existing delegated acts have just been put in place on January 1st and it would be wise to leave some time to get pertinent feedback from investors once they have got acquainted to the current templates.

Hence, if these changes would be implemented, the asset managers would **need sufficient throughput time**.

BEAMA **agrees with the general approach of using a more user-friendly language in the disclosures**. BEAMA is of the opinion that the **dashboard it is clearer than the table** as it only refers to article 8 or article 9 funds, i.e. there is not a column for article 8 and article 9 funds for each template; it also makes comparability amongst various products easier, and it is a good summary of the key information further developed in the templates.

However, we believe **improvements to the proposed dashboard need to be made** for it to serve its purpose.

More specifically **for Annex II**:

* The **wording “This product has some sustainability characteristics, but does not have a sustainable investment objective” is misleading and unclear**. BEAMA suggests to formulate this as “This product promotes environmental and/or social characteristics”. The notion of promoting is required to qualify a product as an article 8 and therefore this seems essential.
* The **wording “sustainability characteristics” is unclear**, since this term is still not clearly defined. Therefore, BEAMA suggests to adjust this wording to “E&S characteristics”, in line with the SFDR definition.
* The **same question is asked twice on the first page** (“include the environmental and/or social characteristic(s)”), once in long and once in short. Taking the aim of giving a short overview and avoiding needless repetition into account, BEAMA suggests to ask this question only once or to allow references to other parts of the dashboard. It may be overwhelming and confusing for the investors to have 2 narratives on the same topic. We suggest instead to include in this box of the dashboard only a % as in the other boxes.  
  If not, the asset managers will have repetition and thus this summary will not serve its purpose.

More specifically **for Annex III**:

* Regarding the **most significant negative impacts**, the dashboard template gives the **option of indicating this in grey**: “use grey icon and does not consider instead of considers when the product does not”. In line with regulatory comments, asset managers on the Belgian market were under the impression that sustainable investments always need to consider PAIs. Consequently, article 9 funds will always consider PAIs.  
  ESMA should therefore **elaborate on the situation(s) where this grey icon could be used**.

Furthermore, also look at out detailed response in question 31 for additional points of improvement.

<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>

BEAMA thinks that the **templates could be made clearer by**:

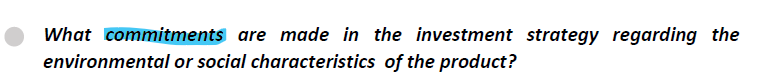
* Providing more examples of **socially sustainable investments**;
* **Clarifying** what it is meant by **environmental and social safeguards** for any **assets that do not claim promotion and E and S**;
* **Requiring** that there should be a **reference to SFDR if there is a reference to Taxonomy** in the template;
* Providing a **description of what PAI** (or now the ‘most significant negative impact’) is or what **GHG** means, as well as a definition of what **promotion of E and S** means;
* **Linking to MIFID-sustainability preferences** – advisors should be able to link the concepts used in the templates;
* Providing **clarity on reference benchmark/broad market index**, since it is not clear from template whether it refers to an ESG benchmark.  
  More concretely, in the grey text added to the question “Is a specific index used as a reference benchmark and how is this index monitored to ensure consistency with the environmental and/or social characteristics of the product?” (p130): the definition of a reference benchmark text in grey is rather ambiguous. This definition is very general and does not clarify that this relates to ESG perspective reference benchmarks. BEAMA suggests to make this definition more concrete, as mentioned in the red text above.

As already mentioned in question 30, BEAMA thinks that the **dashboard could be made clearer**. In addition to our points mentioned in our response on question 30, BEAMA has the following comments:

* The **use of colours for the icons may be problematic**, and in our opinion it is not appropriate and can be misleading.  
  For instance, one fund manager could use the green colour even if they have 1% of sustainable investments in their fund and this fund manager will be in the same position as a fund manager having 70% of sustainable investments in its fund.  
  The use of colours is also premature and BEAMA suggest to wait for a) the revision of SFDR and b) whether minimum thresholds of sustainable investments and assets with E/S characteristics are introduced before using them.  
  If colours are retained, BEAMA believes that asset managers should have no discretion over using them and that they should be prevented from greenwashing their products via the use of colours. We believe that the first two icons are not clear and do not convey the correct message.
* In the box below and in other sentences **in the template it has to be very clear when asset managers can remove the box/questions, and use consistent wording**.  
  For instance, to express this concept sometimes the template makes reference to ‘remove’, ‘include only’, ‘do not include’, ‘include section where’, ‘include section only’, these are different locutions to express the same concept, it is very confusing and misleading this has led to confusion and inconsistent approach amongst regulators.  
  For instance one regulator asked an asset manager to reintroduce the whole Reference Benchmark section (i.e. the penultimate one) and to answer with N/A whereas the section, based on the RTS wording, did not have to be included if there was no Reference Benchmark.  
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* BEAMA also would add that for clarity the sentence should state: ‘remove this statement, icon and box where the product …’.

Please find below our comments in relation to **other sections of the template which could be made clearer**:

1. The **question below should be rephrased** to:   
   “If this product makes a minimum investment of [x]% sustainable investments, what are the objectives of the sustainable investments?” The reason being that an article 8 fund may not have sustainable investments.
2. The **box re global warming 1.5 degree Celsius on page 126: why and how does this apply**? BEAMA wonders **why article 8 funds would/could not aim at limiting global warming**?
3. **Page 127**: mentions two links which asset managers need to add, please see box on the top left of the page. **Page 128**: mentions another link. BEAMA is interested in receiving **additional feedback on “a link to what?”.**
4. BEAMA is interested in receiving **additional information on what is meant by ‘commitment’ in the following question.**  
     
   This is the old question on ‘binding elements’. Do asset managers need to list the binding elements? Or do they need to include the % that they indicate in the ‘asset allocation’ question and that used to be put in the investment tree (proposed to delete in Question 33). There should be an explanation what is required here.
5. The **language should be consistent, clearer**:
   * See comments above in relation to ‘remove’;
   * ‘Share’, ‘proportion’, ‘%’ - 3 different words to express the same concept.
6. The **following question could be removed as it is redundant.**

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The investment strategy is already mentioned in the prospectus (and in the PRIIPs KIDs).

In addition, BEAMA wishes to draw ESMA’s attention to minor errors we identified in the draft templates. For instance, in the grey box on transitional activities (p. 129) the part “are activities” should not be in bold. Furthermore, in the question “is a specific index used…” a typo has been noticed: invesment -> investment.

<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>

BEAMA wants to point out that **a priori regulatory approval of disclosure documents is not harmonized throughout member states**, meaning that in some member states prior regulatory approval needs to be obtained, while in other member states the disclosure documents will be controlled ex-post. This results in a burdensome process and affects the level-playing-field. **A general approach applicable to all regulators should be taken on this topic**.

According to BEAMA, the amount of data in the entity level statement is overwhelming for end investors in financial products. BEAMA would make the **disclosure of 3 environmental PAIs and 3 social PAIs mandator**y and leave **all other PAIs to the discretion of the asset managers** in an annex to the legal template. BEAMA would also simplify and shorten annexes to prospectus and annual reports to the essence.

Some **sentences in Annex II covers the same concepts and their language should be harmonised and consistent**:

* The language used in the sentence “What is the minimum proportion of EU Taxonomy investments” and “What is the minimum share of sustainable investments with an environmental objective that do not meet the criteria of the EU Taxonomy?” should be harmonised.  
  For instance the first sentence could become “What is the minimum share of sustainable investments with an environmental objective that meet the criteria of the EU Taxonomy?”.
* The box on the left near the question “What is the minimum share of sustainable investments with an environmental objective that do not meet the criteria of the EU Taxonomy?” is a repetition of the question.
* BEAMA is of the opinion that it is not necessary to have the sentence highlighted in blue (see below) in the template, if there is 0% taxonomy aligned investments and 0% gas and nuclear investments.A picture containing text, screenshot, circle, font

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  One regulator asked an asset manager to reintroduce this sentence, and as a result this asset manager had to calculate the proportion of investments minus the sovereign bonds in the portfolio. This adds nothing to investor’s knowledge and has triggered a lot of calculations.

<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>

According to BEAMA this is **not necessary**.  
The **investment tree has been subject to different interpretation in terms of completion from different NCAs**. With respect to sustainable investments, BEAMA would appreciate indicating **only one % of sustainable investments**, namely without the distinction between environmental sustainable investments and social sustainable investments.

<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>

BEAMA agrees that there should be consistency, yet this can not be achieved through the use of colours.

<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>

TYPE YOUR TEXT HERE

<ESMA\_QUESTION\_SFDR\_35>

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

<ESMA\_QUESTION\_SFDR\_36>

According to BEAMA, **the use of key environmental metrics to estimate the positive contribution to one of the environmental objective should not be limited to reported metrics because of standardization issues**. Indeed, the lack of standardized reporting, especially out of the scope of CSRD, prevents the direct use of reported data. The use of data derived from reported metrics should be allowed to favor the development of estimates.

On the estimation of compliance with minimum social safeguards, BEAMA is of the opinion that **while the use of controversies should not be encouraged to show compliance,** it **could be useful to demonstrate a misalignment with this criteria**.

<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>

To prevent greenwashing and the lack of comparability of key environmental metrics, BEAMA suggest that the **concept should be defined more precisely**.  
These metrics should be limited to metrics expressed in physical units to avoid comparability issues. Metrics that assess the entire value-chain of an issuer should also be favored to avoid focusing on a particular scope where a positive performance can be measured while hiding a negative performance on other scopes.

<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>

BEAMA wants to point out that currently there is **no uniform EU approach to the calculation of the percentage of sustainable investments** (including the treatment of cash and derivatives in this respect). This **affects the level-playing-field**. BEAMA would like the ESAs to come up with a clear approach on this, ensuring the **calculation is the same in all member states.**

In order to do so, the calculation of the proportion of sustainable investments shall be clarified:

* To **take into account “relevant” derivatives** to be looked through at the numerator and denominator on the basis of equivalent exposures (delta approach). (See our answers to questions 14-16).
* Given the clarification from the Commission to ESAs questions in April 2023, **an SFDR SI can build on an entity approach**. It is **therefore not appropriate to “build upon art 17 of SFDR RTS”** which deals with the taxonomy approach by activity.
* **Government bonds** (excluding use of proceeds bonds)  
  In diversified funds/portfolios, government bonds allow to offer to mass retail the suitable level of risk: most retail clients claim for prudent profiles i.e. products/portfolios which govies portion can reach up to 30-40% of the NAV. **Not recognizing sovereign bonds as possible eligible sustainable investments will involve very little match of products with low risk clients that have high sustainability targets**. Moreover, clients trading on their own (i.e. not under advisory) may increase their risk by selecting high sustainable products at the cost of proper diversification.

<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>

TYPE YOUR TEXT HERE

<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>

TYPE YOUR TEXT HERE

<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-3)