**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-2). Further information on data protection can be found under the [Legal notice](http://www.eba.europa.eu/legal-notice) section of the EBA website and under the [Legal notice](https://eiopa.europa.eu/Pages/Links/Legal-notice.aspx) section of the EIOPA website and under the [Legal notice](https://www.esma.europa.eu/legal-notice) section of the ESMA website.

**General information about respondent**

|  |  |
| --- | --- |
| Name of the company / organisation | Assogestioni |
| Activity | Investment Services |
| Are you representing an association? |  |
| Country/Region | Italy |

**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>

While in the long term it would be appropriate to broaden the spectrum of PAI indicators also on social issues, Assogestioni believes that at this stage, when financial market participants are due to publish their PAI statements for the first time, introducing additional disclosure requirements may be rushed and not advisable. We would recommend allowing some time to reach sufficient data coverage and assessing the result of the implementation of existing indicators before increasing the number of them.

The definition and calculation of the PAI sustainability indicators should be based on a data system that ensures the availability, traceability and reliability of information, while at the same time guaranteeing the widest possible coverage, in terms of the scope of undertakings required to report and actually report.

While Assogestioni acknowledges ESAs' efforts to provide alignment between the various sustainable finance regulations, it is necessary to remark some limitations on applicability and scope of the first set of EFRAG draft ESRSs - that the ESAs proposed as the basis for these PAI social indicators – and, more generally, of the Directive (EU) 2022/2464 (CSRD). Despite having a broader scope than the previous NFRD, CSRD has still some significant limitations: - a mandatory regime “only” for large European companies (250+ employees/ 250 million + in total assets, net turnover of EUR 40 million) and SMEs listed on EU regulated markets, including EU subsidiaries of non-EU parent companies. Other SMEs are encouraged to adopt voluntary simplified reporting, while non-EU companies may not report altogether;

- a gradual approach, providing different phases of its implementation, starting from large and public interest undertakings already subject to NFRD that have to report data by 2025, to listed SMEs starting reporting from 2026, with opt-out option by 2028, and to in scope non-EU companies having to comply only from 2028.

- the double materiality assessment approach to reporting; the ESRS provides both mandatory disclosures/datapoints that do not follow the materiality assessment by the undertaking and disclosures subject to materiality assessment. For the latter, if following the materiality assessment they are proven as not material for the business they could not be disclosed. Specifically, if not materiality is assessed at topical standards level, undertakings have to provide a brief explanation, while if it is assessed at disclosures requirement and/or datapoint, they may directly omit the DR/ datapoint.

As a consequence, data challenge will continue to plague PAI calculation for years to come, albeit, hopefully, to a lesser and lesser extent: data that could potentially not be available because undertaking is not (or not yet) required to apply CSRD, or simply because that given information is assessed as not material for the undertaking and, therefore, not reported.

This issue becomes even more significant if considering the recent amendments on ESRS made by the European Commission which, by broadening the scope of disclosure requirements subject to materiality assessment, make the availability of data even less guaranteed. Part of the mandate given by the European Commission to ESAs is to streamline and develop the regulatory framework, hereby including the review and rationalisation of existing mandatory indicators to ensure they remain fit for purpose and to provide an extension of the framework also with regard to social aspects, ensuring the necessary time for the invested undertakings to collect and report this information in line with the CSRD obligations.

Should the introduction of additional social indicators be deemed necessary, the adoption of an opt-in approach would be preferable, especially for the two PAIs reported as most challenging in terms of availability of data underlying PAI calculation, namely PAI #14 and #18.

With regard to these two indicators, such as #14 and #18, we would like to emphasise several difficulties related to their implementation:

-for proposed PAI #14 *Amount of accumulated profits in non-cooperative jurisdictions for tax purposes*: it has been specified how this data is not covered in the ESRS reported by the investee companies. However, we have to point out that, due to the complexity of corporate structures, it would be challenging to map and identify entities- including subsidiaries and financial vehicles with a turnover greater than 750 million - and their parent company's taxation practices. In addition, the EU revised list of non-cooperative jurisdictions for tax purposes is a dynamic list with changing jurisdictions. Therefore, it should be specified at what time point the list should be used in the calculation.

- for proposed PAI #18 *Share of employees earning less than the adequate wage*, first of all, we would like to emphasise that the concept of “adequate wage” has not been sufficiently defined internationally - except within the European voluntary standard - and many companies may consider this indicator as not material to their jurisdiction. In fact, according to ESRS reference for the PAI #18 indicator (SRS S1-10), the data will be reported using metrics, disclosure requirements (and datapoints) applicable if information required by the DR is assessed as material for the undertaking. Given the large discrepancies in the ways in which the concept of “adequate wage” may be defined both within and outside EU, the introduction of the related social PAI indicator, especially as mandatory, could be extremely challenging.

Challenges may arise also in the inclusion of PAI #17 *Interference in the formation of trade unions or election of workers' representatives*, since the reporting is not among the mandatory information to be reported by undertakings according to CSRD.

The critical issues highlighted lead to the need for new indicators to rely on available data in order to enable necessary calculations and disclosures by financial intermediaries. In this view, we do suggest that the final version of Regulatory Technical Standards should align with the initial set of ESRS standards, both in terms of content and timing – in this sense, a future final version of RTS – eventually also comprehensive of new social PAI indicators- should not come into force before 2025 at the earliest. Regarding the mandatory nature of PAI indicators, ensuring that corresponding requirement exists also within CSRD should be the criterion to determine whether existing PAI should be kept as mandatory or, if data reporting is not granted but based on materiality assessment by undertakings, their disclosure should become voluntary by FMPs.

<ESMA\_QUESTION\_SFDR\_1>

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

<ESMA\_QUESTION\_SFDR\_2>

See Q1.

<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>

With regard to the introduction of opt-in social PAIs, we confirm the position already expressed in the answer to Q1, considering the effective implementation of the current framework of PAIs as a priority, and only subsequently considering the extension of social indicators, also based on the evolutions of company reporting under the recently introduced CSRD framework.

Should ESAs decide to extend the lists of opt-in indicators for principal adverse impacts, we regard to PAI indicators #9, #10, #11 and #12 ,we suggest replacing the term “excessive” (“insufficient” for PAI #12) with “share of”.

Since the reported ESRS used as references require undertakings to provide report on employees with these features - with breakdowns by gender and by region-, FMP would use this percentage/share of total employees for the undertaking as data to calculate PAI indicators,as for other PAI indicators. FMP could then apply a PAI threshold for the investment under which the average share is considered as adverse impact.

<ESMA\_QUESTION\_SFDR\_3>

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

<ESMA\_QUESTION\_SFDR\_4>

Please see above.

<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>

Assogestioni considers that both the UNGC and the UNGPs combined with the OECD Guidelines offer satisfactory reference points a valid and meaningful test for minimum safeguard.

We share the need to strengthen consistency with other pieces of sustainable finance legislation, specifically with the EU Taxonomy Regulation, while taking into consideration the differences and specificities of these regulatory frameworks, especially in terms of applicability, as better clarified below in relation to the DNSH issue.

We recommend ESAs considering the effective coverage of these principles in companies’ reporting – within EU and at global level- and assessing the impact of the proposed change in reference principles of PAIs indicators in terms of data discontinuity. Although the UN GPs have a narrower scope than the UN GC, focusing more on Human Rights some of the issues such as Environment and Corruption are adequately covered by the OECD Guidelines for Multinational Enterprises. Furthermore, although both are soft law documents, not legally binding on ratifying States, there is a substantial difference between them; although UNGPs are not legally binding, nevertheless from the way they have been perceived and interpreted by signatory States, they represent the most authoritative international statement to date regarding the responsibilities of business with respect to human rights.

<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>

Although we do recognise how the application of PAI indicators related to social matters to real estate assets would improve transparency and comparability with corporate and fixed income assets, we believe it would be useful to provide an exemption for real estate in proving these PAIs both at vehicle level and investment manager level. In our opinion, the social PAI framework do not apply for vehicle/ SPV level, also because, in real estate, the assets are usually owned by a vehicle, which do not have employees.

<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>

Regarding this issue, there are two main challenges to consider:

- The current lack of an European homogeneous EPC rating system based on letters (ie. A/B/C);

- The current lack of a reliable and robust EPC benchmark, which could be able to correctly define whether or not as asset is within the 30% of the national/regional building stocks.

Even if not being against the new definition proposed by the consultation, we do believe ESAs should make sure that tools and methodologies to classify an asset as efficient or not do already exist in the market.

<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>

In our opinion, there is a challenge in estimating the detention percentage (current value of the investment/investee company’s enterprise value) as the delegated regulation does not include any indication on how to determine the detention percentage for periods other than year-end.

The detentions percentages during the year also have to be consistent with the impact figures published at year end by the company. In particular, also in line with what highlighted by EFAMA, the European Fund and Asset Management Association, we would like to report the following key issues.

The approach described in the ESAs’ Q&A consists in calculating the detention percentage from the number of securities held by investors at the end of each quarter. However, this:

- does not solve the consistency issue: as it focuses on how to manage the impact of financial market fluctuations, it does not resolve issues regarding changes in debt profile, activity perimeter of the company, credit event, etc., but introduces significant impact in case of changes in the capital structure of the company (stock split, capital increase, corporate action);

- introduces unwelcome complexity on the calculation approaches for only a limited number of PAIs while the others can be calculated based on quarterly market valuations, increasing operational risks;

- introduces a huge additional workload for reporting and is contrary to common practices for portfolio analysis (presentation of asset allocations, performance and risk calculations, look-through analysis for prudential reports), which are based on market valuations.

Consequently, it will be virtually impossible to reconcile financial, risk and PAI assessments for portfolios, or provide look-through analysis for investments in funds.

To reduce the bias in the PAI impact calculation, we recommend, for transparency and consistency purposes, modifying the Q&A and, going forward, allowing an approach that relies on a quarterly estimation of the enterprise value ( if possible) based on market prices to calculate the detention percentage.

<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>

In principle, we see merits in providing calculation formulas for the individual indicators, as the use of the same formula is key to allow comparability and consistency across FMPs. Formulas should be as simple as possible and designed keeping in mind data availability.

However, also in line with what highlighted by EFAMA, the European Fund and Asset Management Association, we deem it necessary to provide some adjustments and fixes to new formulae in Annex I:

- “*Exposure to companies active in the coal sector*”; the coal sector is not clearly defined. It remains unclear if it is related to coal power plants, trading, transportation, or mining. A revenue threshold should be defined to avoid treating companies with 1% and 100% exposure the same way;

- Similarly, for the indicator “*Exposure to companies active in the fossil fuel sector*”, a revenue threshold should be defined to avoid treating companies with varying levels of exposure equally. We believe that it should be given to FMPs the flexibility of choice these thresholds, providing an explanation on this choice;

- “*Share of non-renewable energy consumption and production*” indicator; current wording in the RTS does not seem to indicate a requirement to split between consumption and production, while the proposed amendments to RTS now require a split;

- “*Board gender diversity*” indicator; current description is average ratio of female to male board members in investee companies, expressed as a percentage of all board members. However, the formula included in the consultation has male board members as the numerator;

- "*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;

- “*Number of identified cases of severe human rights issues*” indicator: number of cases of severe human rights issues and incidents connected to investee companies on a weighted average basis. Reference to weighted average basis has been removed in the consultation.

- Regarding *sovereign GHG intensity*, reference to country’s GDP should be clear that this should be the PPP-adjusted GDP 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.

<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>

When calculating PAIs, two general issues have emerged ahead of other more specific issues, such as the relevance of certain indicators for different asset classes and the incomplete coverage of data.

First of all, it is necessary to understand the intention of the Regulator with regard to the objective of calculating PAIs; calculating PAIs on all investments would indeed be suitable for assessing what is the overall impact of the asset manager on sustainability factors, but could lead to significant inconsistencies, and result in low comparability in time and space between indicators, as differences in PAI indicators could be the result of differences in asset class allocation rather than an actual difference in PAI.

Calculating these indicators according to their relevance for each (eligible) asset class (i.e. using as denominator for the calculation rather than all assets only the relevant asset class) could be useful in order to have greater comparability between financial products.

For this reason, as better explained in response to Q12, it would therefore be considered in a later stage to complement PAIs calculated on all investments with indicators calculated on different asset classes (i.e. using for each PAI only the relevant asset class as denominator).Classes to be the basis of calculation should be clearly detailed by the Regulator to ensure comparability among FPs.

With regard to coverage, it should be clarified that when data are not available despite best efforts, the data could be rebased on coverage, i.e. the undertakings that do not present the data should be associated with a data equal to the average for all the undertakings (or possibly for the asset class average). Furthermore, when the coverage percentage is low/below a certain threshold, the low coverage level of that indicator should be disclosed. This approach would limit distortions due to missing data and 'jumps' in indicators due to the introduction of previously unavailable data.

It is also considered useful to point out a particular issue related to the calculation of the adverse impact for the indicators in Table 1, #2 and #3, respectively *Carbon footprint* and *GHG intensity* of investee companies. In our view, it may be useful - also in view of the current limited data on Scope 3 - to consider separately the GHG emissions relative to Scope 1-2 and 3 (as it is done for PAI #1) from those relative to Scope 1 and Scope 2. This would ensure that those entities publishing Scope 3 data are not penalized when compared to those only including only scope 1 and 2.

<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>

Generally, Assogestioni agrees with the possibility of including- on a voluntary basis - in the "explanation" column of the PAI disclosure, the percentage of information for the PAI indicators for which the FMP relies on information directly from investee companies, coherently on what the ESAs themselves outlined in Question II.1 in the November 2022 Q&As, identifying as a "*good practice, but not obligatory, for financial market participants to include, where relevant as part of the disclosures required by Article 7(1)(e) of the Delegated Regulation and for each PAI considered by the financial market participant: [..]the proportion of investments for which the financial market participant has relied on data obtained directly from investee companies, in order to calculate the corresponding indicator.*”

It is stressed, however, that a specification needs to be provided by ESAs with regard to what can be effectively considered as "information collected directly from the investee company", clarifying how this category includes also data collected through and reported by info providers.

Should the ESAs consider adopting this amendment, a resolution of this ambiguity with respect to the source of the data is needed. Including this differentiation between data directly collected via investee company and data reported by info provider could potentially leave room for the determination of an unjustified hierarchy between data collected directly by the company and data retrieved through info providers. Many FMPs choose to source the data for PAI calculations from data providers whose key competence is to collect and make data more usable – the possibility to use data provider is an important element of market efficiency and is the result of a process of selection and due diligence of suppliers that ensure equivalence between data collected directly and via a provider.

Also considering that the EC is about to regulate the activity of data providers, we believe that distinguish between data collected directly by the FMP or via a provider should not be a particularly significant information, worthy of disclosure. The relevant difference, worthy of disclosure, should be between reported data (however collected) or estimated data. Estimated data would be the data obtained by carrying out additional research and estimate carried out internally or with the support of third-party data providers.

<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>

In our view, the application of an “all investment” denominator across all indicators could potentially lead to a low comparability, both with regard to the performance of a single FMP over time and among different FMPs.

This happens mainly because applying this approach, a change in PAI value could potentially be the result of different asset class composition, rather than depending on FMPs PAI management/ reduction over time.

The second approach presented by the ESAs, which calculates the PAI indicator on the basis of a segmented portfolio by asset classes, making each indicator focused on the investments for which it is relevant, would address the issues but would lead to a multiplication of PAIs. While calculating per asset classes would allow to concentrate on the relevant asset class, it would increase the risk of having to calculate PAI indicators on a small universe (for instance, when a portfolio has a strong equity component, PAI based on Sovereign or Real Estate would be calculated on a small denominator and be susceptible to large swings and the impact of just a few issuers).

In principle, depending how the PAI is calculated, relevant but different information can be gathered: while monitoring PAI calculated on all assets can give an overview of the macro trends of asset managers and at, aggregate level, give indication of the evolution of the financial system, calculating PAI at asset class level can give a more meaningful indication of the actual effort made by the various FMPs to curb PAIs (see also Q10).

All in all, in consideration of the complexity of the calculation, the already large number of PAI to be disclosed and to preserve the continuity with the PAIs soon to be published, for the time being, the adoption of the first approach is preferable.

At a later stage, it could be introduced the option to publish also the PAIs for specific asset classes to gather a more meaningful picture of the evolution of PAIs.

<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 generally share the attempt to align information reported by issuers accordingly to CSRD with disclosures requirements for FMPs introduced by SFDR.

Assogestioni is therefore generally aligned to ESAs’ proposal to only require the inclusion of information on investee companies’ value chain in the PAI indicators where that information is reported by those investee companies accordingly to CSRD requirements or where this information is readily available.

There are, however, some concerns about the actual low level of coverage of value chain information by issuers’ reporting and the fact that companies outside the scope of CSRD will not have that data coverage. In this context, requiring to include in the calculation of PAI also the value chain data would risk to discriminate against those suppliers that do disclose their PAIs in favour of those that do not do it. A possible solution would be the publication of PAIs without the value chain data and, separately, the publication of the PAI of the supply chain (when available).

<ESMA\_QUESTION\_SFDR\_13>

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

<ESMA\_QUESTION\_SFDR\_14>

We agree with the ESAs in considering derivatives as an investment decision as well as consider its economic exposure, by converting them into an equivalent position in the underlying assets.

However, we have some concerns and disagree with the proposal that derivatives may be excluded from the numerator of the PAI indicator if FMP can show that such derivatives do not ultimate result in a physical investment in the underlying securities (or any other intermediary in the investment chain). In such a case, the consultation states that the “*FMP would be allowed to consider that this derivative investment does not result in an adverse impact and should therefore be allowed to exclude it from numerator*”.

Management companies, as the investment decision maker, usually do not know whether the derivative counterparty of the investment fund hedges its financial exposure with a physical investment. This type of information does not even appear to be of a public nature. Derivatives settlement may also not be helpful in distinguishing between situations, especially if the derivative contract allows for both physical and cash settlement. Concerns about different interpretations have also been highlighted.

Therefore, we deem that such proposal would lead to an inconsistent approach across FMPs, furthermore it implies unlevel playing field between the FMPs, where some FMPs that have the disclosure can lower their PAI, while others cannot. This should be strongly avoided.

For further consideration on the treatment of derivatives, in particular on whether or not all underlying asset classes of derivatives are included in the different indicators, please see our response to Q15.

<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>

The consultation deal with an issue of absolute importance i.e. the treatment of derivatives.

We understand that clarification on the approach on derivatives has been a challenge for some time. Also the EU Platform on Sustainable Finance was unable to reach a consensus on the role of derivative investments under the EU Taxonomy and recommends further research on this issue.

In this regard, we generally believe that derivatives should be incorporated into the calculation of the different indicators, i.e. not only for the PAI but also for Taxonomyalignment and share of sustainable investments. However, as better illustrated below, it may be important to introduce some exemptions based on the type of derivative and its use.

Derivatives allow the separation of financial risk management from the potential impact and influence of those portfolios in real economy however there are different views and there is no consensus on their overall effects on the underlying markets.

From a theoretical perspective, we believe that FMPs should report different metrics clearly expressing the direct holding, the indirect long and short exposure and the net exposure combing cash and derivatives position. However, we understand that such disclosure might not be helpful for a retail investor.

Therefore, while we appreciate and understand the rationale behind the suggestion to include or exclude long/short derivatives in numerators of the different indicators based on greenwashing risk, we encourage ESAs to consider a simpler and consistent method based on risk (net) exposure to reflect the view of the FMP on the issuers in the portfolio, independently on the context for which the reported metric is being used: long/short derivatives position reflect in fact the synthetic investment or disinvestment in the underlying.

It is clear that the attribution in proportion to risk exposure would lead to FMP having negative position if they are net short on a security (even if the Co2 emissions have not decreased and continue to exist) and other FMP having positive attribution larger than their ownership where they are net long of the security (even if Co2 emissions are not increased). However, the combination of the synthetic exposure in such instruments together with the cash one is reflected in the value and in the performance of the investment fund, the method is neutral from an investment management perspective (physical and synthetic replication of an index are treated equally given exposure remains consistent in both cases), there is not double counting at market level. Imposing some floor for (net) shorts introduces a double counting effect at market level, since for every long derivative position there is a corresponding short position and the net across the market would be different from zero.

In any case, we believe that derivative should be included both in the numerator and in the denominator and they should always reflect the economic exposure that provides to the underlying asset with a delta approach, in line with the conversion methodologies for derivatives instrument used in the UCITS and AIFMD framework. Compiling derivative in equivalent exposure at numerator and denominator allows consistency. In addition, this could better address the greenwashing risk unlike a denominator at NAV/Mark to Market. For example, in case the underlying issuer of a derivative is not sustainable (0 will be at numerator), the equivalent exposure included in the denominator will decrease the overall sustainable investment when integrating such derivative.

As regard the type of derivatives to include in the numerator, we invite ESAs to give some indication regarding which derivatives should be included or disregarded. For example, we see merit including derivatives that reference single equity or debt of a company and excluding those one dealing with interest rate or FX risks. As regard derivatives on diversified index, we suggest a more flexible approach if such diversified derivatives are used by FMP to temporary manage market exposure (hedging, efficient management portfolio) rather than to express a specific viewpoint on a particular sector or issuer.

<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>

Assogestioni shares the need to extend the scope of the provisions of netting laid down in art.17(1)(g) of SFDR Delegated Regulation to asset classes other than equity and sovereign exposures. Even if the reference in such article focusses on equity and sovereign exposure only, we believe that such criteria is already applicable across asset classes other than equity and sovereign exposure.

In order to achieve a regulatory certainty and align the same treatment for all financial instruments, an explicit extension of the the methodology used for calculating net short position defined in art.3, par.4-5 of EU Regulation n.236/2012 (short selling regulation) also to corporate assets is requested.

In fact, we see no reason to treat corporate bonds differently than sovereign bonds. For greater regulatory certainty, we see merit to extend the scope of the provisions.

<ESMA\_QUESTION\_SFDR\_16>

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

<ESMA\_QUESTION\_SFDR\_17>

We agree with the ESAs’ evaluation of the existing difficulties in comparing the concepts of DNSH, as developed at the SFDR L1 as part of the definition of SI under Art.2 (17) and its concept as implemented in Regulation 2020/852 (EU Taxonomy). These difficulties are mainly due to the fact these two definitions rely on different foundations (respectively, investment/entity for SI, and economic activity for EU Taxonomy).

A key conceptual challenge linked to this issue is that, as highlighted by ESAs themselves, PAI indicators, which have to be taken into account to demonstrate investments do respect DNSH principles, were designed by FMPs on a sector-agnostic basis, where TSC used in the DNSH assessment of EU Taxonomy are tailored to specific economic activities.

The mis-alignment of these two concepts could led to situations in which sectoragnostic PAI thresholds defined by FMPs and used as “pass or fail” thresholds for the assessment of compliance to DNSH by an investee company are inconsistent with TSC criteria for DNSH assessment set by the EU Taxonomy for the specific economic activities carried by the investee company. In this scenario, the specification within Art.18(2) of the EU Taxonomy - linking the minimum safeguards applied at the level of economic activity (Art.3(c)) with the undertaking's adherence to the principle of DNSH as referred to in 2(17) SFDR – could appear ambiguous.

While we share ESAs view on some ambiguities of the current set up, we would discourage the ESAs from reviewing the current framework while financial market participants are becoming used to the disclosures and the Taxonomy is becoming more usable and used across companies for assessing their environmentally sustainable economic activities – also in light of the current absence of a social Taxonomy.

The above also in consideration of the forthcoming the European Commission next comprehensive review of Level 1 SFDR. Assogestioni considers that preserving the status quo at this stage may be essential in order to avoid market disruption and further significant implementation efforts for the industry - on the basis that at the moment there is not a clearly preferable option that might justify these implementation costs.

Since the amendment is not explicitly required by the mandate received from the European Commission, we would recommend the ESAs not to introduce additional requirement on DNSH and preserve the status quo.

<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>

SFDR is a disclosure regulation that leaves full discretion to FMPs in the identification of the criteria that define SI (Art. 2(17)); therefore, the assessment of DNSH compliance itself, as part of SI definition requirements, is done according to the criteria by which SI is defined by the FMP itself. As a disclosure regime, FMPs are not required to set quantitative thresholds across the mandatory PAI indicators as part of DNSH tests at product level. In addition, we should note that, in the context of a general requirement to 'take into account PAIs' the regulation allows full discretion on the methodology used to assess DNSH compliance.

As the ESAs themselves remarked in the Consultation, basing the DNSH test at the investment level using sectoral-agnostic PAI thresholds and adopting a "pass or fail" approach could lead to results potentially inconsistent with the environmental sustainability criteria established by the EU Taxonomy, since the identified thresholds may be different and not comparable with those set in the TSC of the EU Taxonomy.

It should also be considered that, on the technical level, the TSC identified by the Taxonomy for the DNSH assessment of an economic activity, unlike the TSCs used to assess the significant contribution to the sustainable objective of that economic activity, are mainly based on the conformity of that activity to qualitative criteria, of which the generic ones are indicated within Appendices A-D of Annex I of the Delegated Regulation supplementing Regulation (EU) 2020/852. (e.g.: if it is taken “cement producer” as an example of economic activity: the DNSH test with regard to the sustainable use and protection of water and marine resource may follow the general criteria defined by Appendix B*, there an Environmental Impact Assessment is carried out in accordance with Directive 2011/92/EU of the European Parliament and of the Council and includes a water impact assessment in accordance with Directive 2000/60/EC, no additional water impact assessment is required, provided that the identified risks have been addressed*.)

In consideration of the above, disclosure on the website of the quantitative thresholds relating to the PAI indicators that FMP use to assess compliance with DNSH principles would be an additional burden that brings no benefit in terms of comparability between FPs.

Notwithstanding, should the ESAs implement the requirement of a more granular disclosure about the approach used by FMPs to assess compliance with DNSH, it is suggested to adopt a ‘comply or explain’ disclosure framework in relation to the do not significant harm tests, where FMPs would explain why they have not set quantitative thresholds against a particular principal adverse impact indicator and how they manage to consider the particular indicator.

<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>

In our view, the ESAs' proposed option of providing a safe harbour for environmental DNSH with respect to economic activities aligned with the Taxonomy could have both benefits and criticalities, as better shown below. The existence of both pros and cons in the adoption of the safe harbour approach would suggest the implementation of the safe harbour as a voluntary option for disclosure. This option should be made available regardless of the introduction of a more specific disclosure on PAI thresholds for DNSH assessment.

With regard to the benefits, the inclusion of the safe harbour option would avoid a double evaluation that could lead to challenges, especially if the methodology used to assess DNSH for that portion of portfolio is different at product/investment level.

However, what could be a simplification, may result in additional complexity due to the separate treatment reserved exclusively for economic activities aligned with Taxonomy - as already pointed out by the ESAs.

The problem relies, once again, on the different underlying on which the two DNSH assessments of the European Taxonomy and SFDR are based- respectively, economic activity and investment in investee companies – where, for the latter, the SI and DNSH algorithm targets the issuer rather than one of its economic activities. In fact, the issuer might have multiple economic activities, and only a proportion of them may be aligned with Taxonomy; by investing in the company, the DNSH test will be performed on the issuer's set of economic activities, since an investment in a general financing instrument in an investee company.

<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>

In our view, the possibility that in the long term the preservation of two parallel concepts of sustainability (EU Taxonomy and SFDR Art.2 (17)) could result in an alignment between the TSCs of the Taxonomy and the DNSH assessment under the SFDR depends mainly on the degree of coverage that the current environmental taxonomy - and subsequently the future social taxonomy - will be able to provide.

In the long term, the extension of environmentally - and socially - sustainable economic activities in compliance with the Taxonomy will broaden the scope of it, and with the increase of economic activities mapped by Taxonomy, the share of economic activities carried out by an issuer and covered by the Regulation will consequently increase. In this view, should the voluntary safe harbour approach on Taxonomy-aligned activities be implemented, the DNSH assessment at the investment level will be significantly made by the aggregation of the assessments made at the economic activity level by the investee companies.

It is crucial, however, that this situation does not affect the flexibility and responsibility given by SFDR to FMPs to define and set their own parameters for defining DNSH at entity level in view of their definition of sustainable investment and deter innovation of FPs in the long run.

<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>

It is evident the great relevance of GHG emission reduction commitments, particularly -but not exclusively - among signatories of coalitions such as the Net-Zero Asset Managers Initiative and the Net-Zero Asset Owner Alliance, which result in the design and deployment of financial products aligned with net zero emissions by 2050 targets. Greenhouse gas emission reduction targets can be considered a transversal target across financial products, given the existing differences both in terms of product types that encompass these targets but also in the ways in which they are to be achieved by FPs.

To this end, Assogestioni shares the need expressed by the ESAs to provide a space of transparency in the disclosure given to investors for the identification of GHG emission reduction targets that financial products may have.

Consistent with the objective of SFDR as a disclosure regime, this need is justified primarily by the requirement to provide investors the highest quality disclosure at product-level, allowing them the greatest possible comparability between financial products and to assess the effective contribution such products could make to the achievement of FMPs climate commitments.

The proposal to include in the disclosure of these targets also intermediate targets, milestones, where relevant, and actions taken is welcomed, since they may allow investors to monitor progress over time and to select FMPs with emission reduction targets in line with their investment horizons.

In order to allow asset managers to adopt different strategies, rooted in the company level criteria and consistent with the specificities and characteristics of the FP - for the achievement of such targets, the adoption of an approach that is not too prescriptive in how decarbonization targets are set by the ESAs is desirable.

We do agree on the use of the same metric, in order to guarantee comparability among FPs: all targets should be disclosed as a measure of financed GHG emissions expressed in tons of CO2-equivalent per millions EUR of investments – and the same metric should be used for the baseline value and to measure progress.

Furthermore, in order to make this disclosure useful to end-investors information needs, it is deemed necessary that only target-related information that can serve this purpose should be the object of this disclosure – this mainly in order to avoid unnecessary costs and efforts for FMPs. For this reason, Assogestioni would like to suggest below (see Q23) some changes in what ESAs propose to introduce, with the objective to ensure the greatest alignment between what is required to be identified and disclosed by the FMP and what is necessary for the evaluation, comprehensibility, and comparability of FPs by the final investor.

<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>

Assogestioni agrees with the approach proposed by the ESAs to simplify the method of information disclosure on GHG emission reduction targets for FPs disclosing under Article 9(3) SFDR, such as products that measure their performance by tracking the return of an EU Climate Transition Benchmark or an EU Paris-aligned benchmark.

Consistent with what ESAs introduces through Art. 18(5) and 59a(2), if these FPs have an emission reduction target, they do require to provide a hyperlink to a description of the Benchmark methodology disclosed by benchmark administrator under Art.13 and 27 of Regulation (EU) 2016/1011, as the only information included in this section.

<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>

By the specification made by ESAs that an approach involving a combination of several strategies is allowable and that these are not to be considered mutually exclusive, some room for action is left to FMP in identifying the most suitable means of achieving the target, provided that there is a need for transparency regarding the approach adopted.

On this aspect, Assogestioni shares the need to provide disclosures about the approach that FMP would adopt for achieving the target, recognising the usefulness for final investors. Again, we advocate avoiding excessive prescription about strategies that FMPs can adopt in order to achieve their emission reduction targets: therefore, we believe that these three described strategies are presented merely as some of the possible strategies that can be adopted - even in combination - by asset managers.

<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>

In our view, setting ambitious climate target should not be regarded an exclusive option for at. 9 products as it is not one of the criteria to define art. 9 products.

As long as the SFDR is maintained as a disclosure regulation, the disclosure about the alignment of FMP emission reduction target with the goal of limiting global warming to 1.5°C should be possible also for financial products that make disclosures under Article 8 SFDR. The introduction of the 'not assessed' option can address the possibility that existing methodologies may not provide a sufficiently robust assessment of that aspect.

<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>

In our view, using the FP's all investments as a basis for calculating financed GHG emissions may present criticalities if the portfolio as a whole has asset classes that, by their nature, are not suitable for setting emission reduction targets.

Instead, in order to ensure comparability, the indication of the general target reduction could be disclosed at portfolio level and accompanied by a specification of the asset classes that are involved in the pursuit of that target.

This approach may consist in the identification of asset classes/categories to which the decarbonisation target applies, and the consequent application and calculation of the baseline GHG emissions and GHG emissions reduction targets on the basis of the asset class of reference. For example, in case of a multi-asset portfolio, the GHG emissions reduction target could be applied exclusively to the corporate component, but not to government bonds.

Should the overall set of investments be used as a basis for the calculation of the targets, the additional identification of the percentage of the portfolio that contributes to the decarbonisation target and its subsequent indication in the relevant section may have the risk of being misleading and unclear for the final investor.

Furthermore, focusing decarbonisation target only on a specific share of portfolio may led to greenwashing practices. The only specification that we regard as useful, is the specification of the asset classes used to reach the target (see above).

In addition, should the dashboard as proposed by the ESAs be adopted, within this initial dashboard the information about the – eventual- GHG emission reduction targets of PF exclusively expressed as a target calculated on the basis of all investments may make the comprehension of this information even harder for investors. This information shall also be expressed in % ( this product targets a reduction of % of greenhouse gas emissions in the atmosphere by ...), leading to more confusion between two different values both expressed as %.

It is therefore considered, also to avoid an excessively complex disclosure for retail investors, that the indication in the pre-contractual information on the portion of the FP investments covered by the GHG emission reduction target should be removed.

<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 general, Assogestioni supports the use of the PCAF Standard as the basis for accounting for GHG emissions financed by financial institutions, in order to ensure consistency with the forthcoming CSRD Delegated Regulation.

For this reason, it is requested to make the reference to the GHG Accounting and Reporting Standard for the Financial Industry of the Partnership for Carbon Accounting Financial (PCAF) explicit within the article.

The Financed Emissions Standard provides detailed guidance for each asset class to calculate financed emissions from assets in the real economy financed through portfolios of loans and investments. Emissions are allocated to financial institutions based on robust and consistent accounting rules specific to each asset class. By following the methodologies outlined in the Financed Emissions Standard, financial institutions can measure GHG emissions for each asset class and produce consistent, comparable, reliable and clear information. The Financed Emissions Standard only provides guidance on the seven asset classes while it does not provide explicit guidance on methods to calculate financed emissions for every financial product including the following: private equity that refers to investment funds, green bonds, loans for securitization, exchange traded funds, derivatives (e.g., futures, options, swaps), initial public offering (IPO) underwriting, and more.

Assogestioni requires that this methodology should be explicitly mentioned in RTS Delegated Regulation.

<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>

Assogestioni believes that if the reporting of GHG emission reduction targets financed at the product level should only reflect the gross GHG emissions of investments, whereas GHG removals and carbon credits, in accordance with ESA guidance, should not be considered as means to achieve GHG emission reduction targets, then the reporting of gross GHG emissions of investments could be considered sufficient. Separate reporting of GHG removals and use of carbon credits is not deemed necessary.

<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>

Given the wealth of information that the investors will receive and have to process, we would recommend not including this additional consideration by assessing the SFDR product level information, the investor will have all the information they may need to understand how their savings and assets are allocated and what impact they have on environment and society. Should there be a legitimate wish to have on overall view on the FMP commitment and performance, SFRD art 3, 4 and 5 already ensure the availability of such information.

<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>

Generally, Assogestioni welcomes the initiative of the dashboard as it provides a clear and immediate representation to the investor of what are the main characteristics of the FP, useful in the pre-contractual evaluation - also given the alignment of the information presented with the categories underlying the assessment of sustainability preferences under MiFID II - and in the periodic assessment.

We agree, among other things, with the possibility of including information on the GHG emission reduction target - if any - if the ESAs proposal to provide disclosure on this target will be implemented.

Given the optionality, clarified by the ESAs, of the consideration of PAIs of investments on environment and society, in accordance with Art.7 SFDR, by all categories of financial products, we also agree with the inclusion of this option for products making disclosure under Art.8 and Art.9 SFDR.

Furthermore, we fully support presentation of sustainable investments in the dashboard as a single aggregated figure. This should be, however, also reflected in the corresponding sections of the template that still imply the necessity of splitting up the minimum commitment, asking for the minimum share of sustainable investments with an environmental objective AND the minimum share of socially sustainable investments, with the understanding that some/all investments may be included in both categories.

It is necessary, however, to share some concerns about the proposed visual element on the minimum commitments (%) for sustainable investments and taxonomy-aligned investments and their interrelation on the right-hand side of the dashboard.

The conceptual divergence regarding the DNSH assessment for the determination of SI and Taxonomy-alignment under the SFDR and the EU Taxonomy Regulation respectively, has already been pointed out. Given this misalignment in the two concepts, one might ask whether it is indeed always possible to consider the alignment with the Taxonomy as an "of which" of sustainable investment, or do these two definitions, relying on different foundations not always represent one a subset of the other, but could potentially be viewed as two categories that may possibly be joined or disjoined.

<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>

Assogestioni appreciates the suggested changes in terms of language proposed for the templates. On a more operational level, we would ask the ESAs to make available editable templates for the documents.

<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>

We would suggest the following changes in order to further simplify the current templates:

- External links: We support the use of external links like on a global responsible policy to centralise some elements and avoid, for example, updating 100 PCTs when a common exclusion level is changing;

- The possibility of removing irrelevant questions and further guidance: For example, taxonomy-related diagrams in case you do not consider or have taxonomy-aligned investments. These questions take up an inappropriate amount of space. There should be more clear guidelines on when one may delete questions and to what extent one is allowed to change the layout and colours of the template;

- Remove the requirement to produce two graphs associated with taxonomy alignment (including sovereign and excluding sovereign). All products should just be using the same graph (excluding sovereign) until the time that sovereigns can be assessed against the Taxonomy Regulation Technical Screening Criteria – second graph should be optional;

- Remove the requirement to split sustainable investments between environmental and social objectives. Again, the split between environmental and social objectives is an area wherein we have seen diverging ways of completion;

- Missing data guidance: Authorities have clarified, that if data is missing, the financial market participant must take action to complement that missing data. Despite best effort and even when buying data from a top ESG data provider, there will be missing ESG data on at least some PAI indicators for easily thousands of these companies. It is simply not realistic to reach out to all those companies. Consider also, that the ESG data provider was not able to succeed in this, even though it is their main purpose. To ensure comparability and reliability, clear guidance on how to handle missing data should be given to FMPs;

- Disclaimer: For some figures, a contractual obligation exists to include a disclaimer provided by the vendor. Nonetheless, it does not seem to fit the template. We should have a standard approach to doing this, potentially by adding a section regarding legal disclaimers;

- RTS Table 1 :actions planned/taken are impossible to summarize: For our article 4 PAI reporting, the table leaves about 3 cm of width in a column for “*actions taken, actions planned, and targets set for the next reference period*”.

<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>

We support the deletion of the asset allocation chart in the pre-contractual template.

<ESMA\_QUESTION\_SFDR\_33>

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

<ESMA\_QUESTION\_SFDR\_34>

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<ESMA\_QUESTION\_SFDR\_34>

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

<ESMA\_QUESTION\_SFDR\_35>

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<ESMA\_QUESTION\_SFDR\_35>

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

<ESMA\_QUESTION\_SFDR\_36>

Generally, Assogestioni agrees with the proposal of the ESAs to align the definition of "equivalent information" for the identification of the alignment to the Taxonomy of an investment (Art. 17(b) and Recital (31) of the SFDR Delegated Regulation) with the Recital (21) of the Taxonomy.

However, the following considerations need to be made with regard to the criteria promoted for estimates to verify alignment with the Taxonomy, in particular with regard to compliance with the DNSH principle, for which the FMP or info provider will have to verify compliance with environmental laws and standards AND adhere to the quantitative tests set out in the technical screening criteria as set out in Art. 3(d).

Doubts are raised as to the provider's ability to extrapolate this information - in particular, it is difficult to verify compliance with environmental standards, especially for companies not in scope of CSRD or Taxonomy, which to date remain a black box.

With regard to verifying adherence to the quantitative tests set out in the TSC criteria (Art.3(d)), there is no real assurance as to how these tests are applied - in some jurisdictions there may be no audit.

<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>

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<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>

The lack of clarity of the concept of sustainable investment and its implications should be discussed at level 1 - no additional calculation rules should be specified at this stage.

<ESMA\_QUESTION\_SFDR\_38>

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

<ESMA\_QUESTION\_SFDR\_39>

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<ESMA\_QUESTION\_SFDR\_39>

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

<ESMA\_QUESTION\_SFDR\_40>

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<ESMA\_QUESTION\_SFDR\_40>

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

<ESMA\_QUESTION\_SFDR\_41>

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<ESMA\_QUESTION\_SFDR\_41>

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

<ESMA\_QUESTION\_SFDR\_42>

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<ESMA\_QUESTION\_SFDR\_42>

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

<ESMA\_QUESTION\_SFDR\_43>

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<ESMA\_QUESTION\_SFDR\_43>

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