**Reply form**

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

12 April 2023ESMA34-45-1218

**Responding to this paper**

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

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

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

**Instructions**

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

* Insert your responses to the questions in the Joint Consultation Paper in this reply form.
* Please do not remove tags of the type <ESMA\_QUESTION\_SFDR\_1>. Your response to each question has to be framed by the two tags corresponding to the question.
* If you do not wish to respond to a given question, please do not delete it but simply leave the text “TYPE YOUR TEXT HERE” between the tags.
* When you have drafted your responses, save the reply form according to the following convention: ESMA\_CP SFDR Review\_nameofrespondent.

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

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

**Publication of responses**

All contributions received will be published following the close of the consultation, unless you request otherwise. Please clearly and prominently indicate in your submission any part you do not wish to be publicly disclosed. A standard confidentiality statement in an email message will not be treated as a request for non-disclosure. A confidential response may be requested from us in accordance with ESAs’ rules on access to documents. We may consult you if we receive such a request. Any decision we make not to disclose the response is reviewable by ESMA’s Board of Appeal and the European Ombudsman.

**Data protection**

The protection of individuals with regard to the processing of personal data by the ESAs is based on Regulation (EU) 2018/1725[[1]](#footnote-1). Further information on data protection can be found under the [Legal notice](http://www.eba.europa.eu/legal-notice) section of the EBA website and under the [Legal notice](https://eiopa.europa.eu/Pages/Links/Legal-notice.aspx) section of the EIOPA website and under the [Legal notice](https://www.esma.europa.eu/legal-notice) section of the ESMA website.

**General information about respondent**

|  |  |
| --- | --- |
| Name of the company / organisation | Italian Banking Association |
| Activity | Banking sector |
| 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>

In principle, we agree with the proposal to extend the list of social PAI indicators with a view to achieving greater alignment between SFDR and Taxonomy.

However, we must remember that the availability of information from info providers is still scarce. We also doubt whether it is difficult to calculate these new indicators, given that this requires information on companies, which are the last link in the chain. Only when information on companies will be available with non-financial reporting and, therefore, when the CSRD will make it mandatory.

Where it is possible to find information in non-financial reporting according to international standards, it is possible to calculate PAI, otherwise it is difficult to find the information and therefore procedures for calculating PAI. The approach can only be bottom-up.

Therefore, considering that the first CSRD report will refer to 2024 and published in 2025, the application of these changes cannot take place before 2025. It would be better to postpone it to 2026 or later, according to the ESRS applications’ phase in envisaged by the Commission (currently under consultation).

In addition, we have two concerns.

The first one relates to the fact that it would remain in any case difficult to retrieve data for non-CSRD investments because:

* investments with a social objective are often linked to investments in developing countries and therefore they are likely to be non-CSRD;
* not all companies will have to report according to CSRD.

The second one relates to the fact that as far as the Social Taxonomy is developed there will be not objective and homogenous data to be used to calculate and analyse social PAI indicators.

<ESMA\_QUESTION\_SFDR\_1>

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

<ESMA\_QUESTION\_SFDR\_2>

It is difficult to hypothesize other social PAI indicators in the absence of the Social Taxonomy. A reference can be provided by the ESRS “social”, according to the phase in envisaged by the Commission (currently under consultation).

<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>

N.A.

<ESMA\_QUESTION\_SFDR\_3>

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

<ESMA\_QUESTION\_SFDR\_4>

N.A.

<ESMA\_QUESTION\_SFDR\_4>

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

<ESMA\_QUESTION\_SFDR\_5>

We agree with the ESAs' proposal to replace the UN Global Compact (UN GC) principles, particularly as regards PAI indicators #10 and #11 (respectively Violation of the UN Global Compact principles and OECD Guidelines for Multinational Enterprises and Lack of compliance processes and mechanisms to monitor compliance to the aforementioned principles) with the UN Guiding Principles (UN GPs) and Rights at Work and the International Bill of Human Rights.

We share the need to strengthen consistency with the EU Taxonomy Regulation, Art. 18, with regard to the minimum safeguard criteria that an economic activity must comply with in order to be classified as "environmentally sustainable".

Although the UN GPs have a narrower scope than the UN GC, focusing more on Human Rights, it is believed that some of the issues such as Environment and Corruption are adequately covered by the OECD Guidelines for Multinational Enterprises.

Whilst the UN GC reaches out directly to the business community on what priorities broader policy and strategic objectives should incorporate on a voluntary basis, the UN Guiding Principles focus on how to ensure a narrower set of priorities are actually fulfilled. The UN GPs aim to fill lacunae which had not previously been properly addressed in practice and provide valuable direction and practical steps for those private sector organisations seeking to avoid being complicit in human rights abuses.

<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>

Given the difficulty to collect data and information needed for the calculation of PAI indicators on social matters related to real estate assets, we support the solution to include those PAI indicators in the Annex I, Table III, so that FMPs can take advantage of the opt-in possibility.

<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>

N.A.

<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>

Currently, the definition of ‘current value of investment’ exposed in Annex I seems to be applying only to investee. It should be evaluated the provision of further details on how to practically calculate this value for each exposure (investees, sovereign issuers, real estate) and asset class (equity, debt, treasuries).

Moreover, we highlight that the use of the current value of the investment, calculated as the price of the individual investment at the end of the financial year multiplied by the quantity of investments, partially avoids the PAI under/overevaluation risk related to the market performance in the reference year. However, the use of the market value of the investment would represent the following advantages:

• the use of a single methodology for different asset classes and exposure categories;

• less significant differences between PAI indicators’ values during the reference period aimed to monitoring and managing, and those published in the PAI Statement.

We also highlight that, due to the fact that companies’ financial year can be different from the reference period of the PAI Statement, the PAI under/overevaluation risk cannot be completely avoided.

<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>

To have greater clarity on the indicator formulas, please consider including in Annex I:

* both formulas necessary to calculate the metrics based on the indicator "Hazardous waste and radioactive waste ratio"
* the formulas for the remaining indicators in Table III.

<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>

Please see answer to question no. 9.

<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>

To deal with the volume of data needed and the necessity to automate the data treatment and management, it is common to rely on specialised info-providers. This mandatory disclosure could be misleading for a non-professional investor that, for example, could interpret as negative a low value and therefore could inopportunely give a negative assessment of the information provided.

<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>

We agree that this approach is relevant for most PAIs but we consider that this proposal is not logical for all the PAIs.

As an illustration, if there is a gender pay gap of 20% for 50% of the portfolio and 50% cash, it's not the same at all to have a gender pay gap of 10% for 100% of the portfolio.

The first approach proposed in consultation (‘all investments’ covering all the investments made by the financial market participant) could potentially lead to a low comparability, both with regard to the performance of a single FMP over time and between different FMPs; moreover, from our initial analysis, it seems to lead to lower values than the second (‘All investments’ covering investments in the particular type of entity or real estate asset causing the adverse impact). Although the approach that focuses PAI calculations on the relevant categories of exposures (investee, supranational and supranational companies, real estate assets) leads to greater calculation complexity for MFPs (due to a multiplication of PAIs) and potentially higher values (therefore negative for the FMP), a series of advantages can be identified that could also lead to a greater transparency and comprehensibility of the indicators to the Market. In particular:

* + consistency between the numerator and the denominator of the formula is ensured without diluting the values of the PAI indicator, considering investments for which it is not relevant to the denominator (for example, including in the denominator investments in sovereign and supranational securities for indicators applicable to investments in investee companies);
  + the significance of the PAI indicators is preserved. For example, the indicators "gender pay gap" and "gender diversity in management and supervisory bodies" represent respectively the weighted average of the percentage difference in pay between men and women and the percentage of men on the boards of directors of FMP investee companies. If investments in sovereign issuers were also included in the denominator (for which these indicators are not relevant and therefore would not be included in the numerator), the reported value would lose its meaning and, other things being equal, would be inferior.

Therefore, 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.

As a result, it would be more relevant to have a more targeted and differentiated approach depending on the nature of the PAI.

<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 welcome the purpose of aligning to CSRD ESRS and the proposal to include information on the value chains of investee companies only where readily available, in order to avoid excessive efforts in the collection of such information. However, it should also be noted that the inclusion of information on the value chains of the investee companies could make it more difficult to compare the values reported among the MFPs as the availability of this information for each individual investee company would depend on:

* + the type of company in the portfolio (subject/not subject to CSRD, with more or less 250 employees, etc.).
  + for certain mandatory indicators, whether the information is relevant on the basis of the materiality assessment of the investee.

<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>

To ensure clarity and avoid different interpretative approach by FMPs, we deem necessary further guidance on how derivatives without investee companies as underlying asset - therefore, for example derivatives on indexes and commodities, credit indexes, sovereign issuers or supranational entities - should be treated in formulas for the calculation of PAI. Without this clarification, we propose the solution to temporarily exclude derivatives both from numerator and denominator of the formulas.

<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>

In principle, we agree with the objective sought by the proposed amendments to improve the comparability of PAI data by clarifying the way they are calculated and, therefore, the composition of the relevant numerators and denominators. We highlight the need to explicitly indicate that the proposed approach should be applied to all asset classes (for example, corporate bonds) and not only to equity and sovereign exposures, in order to avoid possible different interpretations or doubts by FMP.

However, it is difficult at the moment to carefully assess the impacts.

<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>

Please see answer to question no. 15.

<ESMA\_QUESTION\_SFDR\_16>

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

<ESMA\_QUESTION\_SFDR\_17>

It should be noted that the approach to DNSH should take into account the following aspects:

* + the need for methodological guidance by the European authorities or legislator to ensure consistency at European level;
  + the definition of a methodology with "dynamic" criteria enabling financial products to make sustainable investments in a wide range of environmental or social objectives, in order to maintain adequate levels of investment stability and diversification.

On the contrary, the definition of "static" criteria could excessively restrict the universe of investable assets, undermining compliance with stability and diversification parameters and, consequently, the profitability of the products themselves. In this regard, for example, the use of quantitative criteria allowing the monitoring of the development of the values of the PAI indicators could be preferred, rather than based on predetermined and fixed PAI indicator values.

<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>

It should be noted that sustainable investments consist of three elements: a substantial contribution to an environmental or social objective; compliance with the DNSH criteria; compliance with good governance practices by the company benefiting from the investments. In this regard, adequate information on those elements should be provided to the customer as part of the information on products classified under Articles 8 or 9 of the SFDR. However, it should be considered that the mere exposure of quantitative thresholds or values assumed by PAI indicators for the purpose of meeting the DNSH criteria may not be easily understood by the customer. Therefore, appropriate information could consist of a description of the methodology applied (in practice) to assess compliance with the DNSH criteria.

Moreover, we underline that it would be very difficult for FMPs to define on their own reasonable quantitative thresholds for PAI indicators for DNSH purposes across the various economic sectors.

Due to the above-mentioned difficulty this option would neither reduce greenwashing risks nor increase comparability.

<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>

Allowing companies aligned to the EU Taxonomy to benefit from an “automatic pass” of the SI environmental DNSH would be welcome, as they have already been subject to the application of even more stringent DNSH criteria than those provided for in Article 2, No. 12 of the SFDR (i.e., application of PAI indicators). However, in light of the difference between DNSH notions in the SFDR and the Taxonomy we do not see how a safe-harbor would work in practice and how it can be of more than limited assistance in demonstrating compliance with DNSH.

Practical implementation seems to bring lots of complexity and potentially limited usefulness:

* + EU Taxonomy DNSH applies at activity level and SI DNSH applies at issuer level. Does it mean that only companies with 100% of their activities aligned to the EU taxonomy could benefit from this safe harbour? This would be extremely limited;
  + SFDR DNSH is based on controversies, governance score and exclusions and is not splitted between a social and environmental DNSH;
  + what about a safe harbour for social DNSH? Since the social objective of the EU taxonomy have not been defined yet, companies could not benefit from a safe harbour on Social DNSH.

We see risk of exacerbating confusion that would likely raise questions (especially by retail clients about complex and possibly conflicting regulatory terms that would however be the responsibility of financial market participants to explain).

<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 opinion, it is a priority to revise the first level discipline of SFDR in order to achieve greater alignment with the Taxonomy. This should be the regulatory option to prioritize.

In this revision, the following elements should be considered:

* + the detailed regulatory framework of the EU Taxonomy that defines precisely the environmental objectives;
  + which economic activities contribute to these objectives and under which conditions;
  + the DNSH compliance conditions;
  + which international conventions, treaties and principles must be respected from the social and good governance point of view;
  + the practical issues that could arise in the application of EU DNSH taxonomy to sustainable investments.

<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>

Please see answer to question no. 20.

<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 should be noted that the inclusion of highly detailed information on greenhouse gas emission reduction targets (GHG) can be difficult for investors to understand due to the high technicality of the topic. In particular, it should be considered that the indication of the objective and the description of how it is to be achieved can be understandable to the investor, while the table with its highly detailed information may require a very complex work for the FMP without any beneficial benefit to the 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>

The benchmark hyperlink can be a useful facilitation. As it regards the risk of confusion between the products referred to in Article 9, paragraph 3, and all other products referred to in Article 8 or 9, potential misunderstandings could only arise if FMPs use investment strategies specifically aimed at reducing greenhouse gas emissions.

<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>

This distinction allows to grasp the peculiarities of two different investment strategies. Any complexity could be related to cases where the two objectives are pursued together, without a predefined allocation of investment shares allocated to one or the other, and to the client’s understanding of the difference.

<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>

N.A.

<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>

N.A.

<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>

Before supplementing the reporting requirements for models by linking them to the requirements within the CSRD, it would be appropriate to await the full entry into force of the second level of the regulatory framework.

<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>

Before supplementing the reporting requirements for models by linking them to the requirements within the CSRD, it would be appropriate to await the full entry into force of the second level of the regulatory framework.

<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>

Product objectives are primarily focused on investors interests and needs, which are not always in line with entity wide ESG commitments and may vary over time. Therefore, such disclosure may not accurately represent the reasons why an entity has entered into certain commitments and the products follow certain investment strategies.

<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>

We understand the rationale under the proposal of introducing a dashboard on the key information, combined with the visual icons, but we are skeptical about it effectiveness.

The new version of the dashboard does not seem to provide greater clarity for the following reasons:

* + the new representation contains much more information (for example, percentage of investments promoting environmental or social characteristics; consideration of PAI at product level; reduction of greenhouse gas emissions - reintroduction), with the risk of inducing investors to believe that the reading of this is exhaustive to the detriment of a greater information offer derived from the reading of the whole document;
  + the first line of the dashboard, containing the indication of the promoted environmental or social characteristics and the corresponding percentage of investments, can be disproportionately sized considering the possibility of using up to 250 characters (spaces included). Moreover, this description would end up being repeated in the text of the first question "What are the environmental and/or social characteristics of this product?";
  + the inclusion in the dashboard of information on the percentage of investments planned by the financial product has removed the immediate understanding of the overall relationship between the different types of investments (that is sustainable investments belonging to the set of investments with environmental or social characteristics), also due to the elimination of the asset allocation tree, which is also easy to read for investors.

Due to these drawbacks, we find no point in facing additional process and IT costs for the implementation of a new dashboard format.

<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>

N.A.

<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>

N.A.

<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>

The investment tree could be a useful tool to understand the breakdown of the entire portfolio of financial product assets and the relationship between different types of investments (such as sub-assemblies). In contrast, the dashboard does not provide a complete view of the entire asset portfolio of the financial product. Therefore, unless the dashboard is reviewed, the investment tree, which is also easy to read for the customer, could be kept.

<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>

The use of colours does not provide significant added value from the information point of view:

* + the colours are relevant only for two parts of the templates, i.e., the dashboard and pie charts related to environmentally sustainable investments;
  + investors may not understand why the document is not in colour, attributing the fact, for example, to print settings;
  + it should also be noted that the images often appear poorly explanatory of the concepts expressed through the questions and, in some cases (for example on the consideration of PAI), the image is the same, changing only colour.

<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>

The proposed approach could be easier to use, reducing the impact of immediate viewing of detailed information. We agree to proceed with the consumer test, even if we have the doubt that some devices could not be compatible with this new approach. Moreover, it would be useful to specify better what is meant by electronically, as it is a simple application in digital customer journeys but not in the paper "traditional" or dematerialized ones.

<ESMA\_QUESTION\_SFDR\_35>

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

<ESMA\_QUESTION\_SFDR\_36>

We agree with the proposed approach.

<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>

Please see answer to question no. 36.

<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>

We see the need to set out specific rules for indirect investments (i.e. funds of funds and individual portfolio managed through investments in UCITS of alternative funds) and government bonds.

The same rules as in Article 17(1)g of Delegated Regulation (EU) 2022/1288 could be applied to calculate the share of sustainable investments, which involves using the market value of the share of those financial products representing sustainable investments made through them (according to the methodology defined by the PMF of the same product) within the meaning of Article 2.17 of the SFDR. This would be particularly useful in the case of funds investing in other funds, where it could be complex to calculate an overall percentage due to different methodologies used by each fund for the calculation of the proportion of sustainable investment.

<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>

We agree that cross-references in periodic and pre-contractual communications of financial products with investment options could be beneficial for retail clients to address information overload. However, we believe that it might be useful, in order to allow for easy referral, to separate the SFDR periodic disclosure of investment options from the Fundhouse annual statement. In fact, most Fundhouses are still providing a single report that includes SFDR disclosure. In this regard, we ask for the possibility to provide a separate SFDR disclosure (periodic and pre-contractual) compared to other Fundhouse documents.

<ESMA\_QUESTION\_SFDR\_39>

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

<ESMA\_QUESTION\_SFDR\_40>

We agree with the proposed approach, in fact including in the section "summary" a list of investment options underlying a financial product together with reference links to their sustainability information enables clients to obtain the necessary information without excessively burdening the work of FMPs.

<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>

Requiring the preparation of models for each investment option, regardless of their classification as financial products, and thus exclude only financial instruments listed in Annex I to Directive 2016/65/EU which are not units of collective investment undertakings, is reasonable and would ensure greater transparency and comparability between products, as well as would resolve the interpretative doubts raised during the initial application of the relevant legislation.

<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>

It is currently very difficult to provide suggestions on this point.

<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>

N.A.

<ESMA\_QUESTION\_SFDR\_43>

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