**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 | ADEME |
| Activity | Government, Regulatory and Enforcement |
| Are you representing an association? |[x]
| Country/Region | France |

**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>

The current SFDR standard does not provide many social indicators compared to environmental indicators, and ADEME supports the inclusion of 4 additional mandatory social PAI. In the absence of the application of a social taxonomy, we also argue that SFDR should improve the transparency of social indicators by FMPs to ensure that the taxonomy's minimum safeguards are fulfilled by FMPs, and we welcome ESRS-based assessment by ESAs.

<ESMA\_QUESTION\_SFDR\_1>

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

<ESMA\_QUESTION\_SFDR\_2>

We support the inclusion of an additional mandatory social indicator: Fiscal transparency.

As ADEME supports a Fair Transition for Europe, our call is based on the Platform on Sustainable Finance's final report on social taxonomy *(https://finance.ec.europa.eu/system/files/2022-08/220228-sustainable-finance-platform-finance-report-social-taxonomy\_en.pdf)* published in February 2022, which includes this social indicator as a criterion for assessing governance consistency. Taxes are significant sources of government revenue and are central to the fiscal policy and macroeconomic stability of countries. They are acknowledged by the UN to play a vital role in achieving the SDGs. ([*https://www.efrag.org/Assets/Download?assetUrl=%2Fsites%2Fwebpublishing%2FSiteAssets%2FED\_ESRS\_G2.pdf*](https://www.efrag.org/Assets/Download?assetUrl=%2Fsites%2Fwebpublishing%2FSiteAssets%2FED_ESRS_G2.pdf)*)*

Taxes are also considered to be crucial for reducing inequality, thus contributing to the objective of economic, social, and territorial cohesion provided for in the Treaty on European Union (Articles 174 to 178)

Taxes are a key mechanism by which companies contribute to the economies of the countries in which they operate. Taxes paid by a company reflect that profitability depends on many factors external to that company, including access to well-trained workers, markets, public infrastructure, public services, natural resources, and an efficient public administration. Companies have an obligation to comply with tax legislation, and a responsibility to their stakeholders to meet expectations of good tax practices.

ADEME proposes that a new PAI on Fiscal transparency should be based on the new regulation adopted in December 2022 by The European Union to adopt 15% minimum tax. The directive aimed at guaranteeing a worldwide minimum effective tax rate of 15% for large groups operating in the European Union must be transposed into the national law of member states by December 31, 2023.

This is the concrete expression of the European Union's commitment to act very quickly, and to be among the first to implement the historic global agreement on tax reform reached by the inclusive OECD/G20 framework on tax base erosion and profit shifting.

<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>

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<ESMA\_QUESTION\_SFDR\_3>

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

<ESMA\_QUESTION\_SFDR\_4>

We fully support one additional social indicator which is include in ESRS G2 on business conduct: « Responsible lobbying and political engagement. »

The OECD argues that ‘lobbying, to influence and inform governments, has been part of democracy for at least two centuries, and remains a legitimate tool for influencing public policies. However, it carries risks of undue influence. Lobbying in the 21st century has also become increasingly complex, including new tools for influencing government, such as social media, and a wide range of actors, such as NGOs, think tanks and foreign governments**2**.

We support the requirements detailed in ESRS G2([*https://www.efrag.org/Assets/Download?assetUrl=%2Fsites%2Fwebpublishing%2FSiteAssets%2FED\_ESRS\_G2.pdf*](https://www.efrag.org/Assets/Download?assetUrl=%2Fsites%2Fwebpublishing%2FSiteAssets%2FED_ESRS_G2.pdf)*)*:

The undertaking shall provide information on its political contributions and lobbying or advocacy activities.

The principle to be followed under this disclosure requirement is to provide transparency on the types, purpose and cost of political contributions and lobbying activities of the undertaking during the reporting period.

The disclosure required shall include:

(a) the representative(s) responsible in the administrative, management and supervisory bodies for the oversight of these activities; and

(b) on financial or in-kind contributions:

1. the total monetary value of financial and in-kind political contributions made directly and indirectly by the undertaking aggregated by country and/or type of recipient/beneficiary.
2. where appropriate, how the monetary value of in-kind contributions was estimated.
3. the total monetary amount of financial and in-kind lobbying or advocacy expenses (both internal and external); and
4. the total amount paid for membership to professional or advocacy associations.

Where political engagement, lobbying or advocacy are determined to be material per ESRS 2 General, Strategy, Governance and Materiality Assessment Disclosure Requirements, the undertaking shall provide the following additional information about its activities: (a) the main topics covered by such activities; and (b) its main positions on these topics. The disclosure shall also include information about the appointment of any members of the administrative, management and supervisory bodies or senior executives who previously held a comparable position in public administration, including regulators.

ADEME suggests also an assessment on Responsible lobbying and political engagement based on ACT methodology which detailed the disclosure on several parameters:

1. Covers the entire company and its activities, and all group memberships and associations,
2. A process to monitor and review trade association positions exists and is well implemented,
3. Sets out what action is to be taken in the case of inconsistencies,
4. The company is not on the board or providing funding beyond membership of any trade associations that have climate-negative activities or positions,
5. No report of any opposition to climate policy.

<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>

ADEME places great importance on PAI that address social and human rights issues. We fully support a fair transition for Europe, which we define as the integration of social and environmental criteria. We are therefore committed to respecting the minimum safeguards of the Taxonomy. ADEME considers it essential to use standards that provide objectives, milestones, and a process for assessing the improvement of social PAI. Based on these principles, we agree with ESAs that the principles of the UN Global Compact should be replaced by the UN Guiding Principles and the ILO Declaration on Fundamental Principles and Rights at Work. Whereas the UN Global Compact speaks directly to the business community about the priorities, broader policies and strategic objectives that should be incorporated on a voluntary basis, the UN Guiding Principles focus on how to ensure that a narrower set of priorities is achieved. The UN Guiding Principles aim to fill a gap that has not yet been adequately addressed in practice and provide valuable guidance and practical measures for private sector organizations seeking to avoid complicity 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>

For real estate assets, we consider it relevant to apply the PAI indicators relating to social issues to the entity responsible for managing the real estate assets in which the FMP has invested. Real estate is a sector directly related to the construction industry. Unfortunately, labor law and the non-declaration of hours worked are common practices in this sector. Real estate asset managers, who are responsible for property maintenance, rely on construction companies and must therefore ensure that they comply with labor laws. For this reason, it is advisable to apply PAI relating to social issues.

<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>

For instance, in France, the building sector accounts for 43% of annual energy consumption and generates 23% of greenhouse gas (GHG) emissions. We won't be able to achieve the targets set under the European green deal without ensuring the decarbonization of buildings. For this reason, we believe it is crucial to align real estate assets with the Taxonomy, and to clearly define what an inefficient real estate asset is. We agree with the strengthening of the definition through the introduction of conditions and thresholds, and validate the criteria set on Taxonomy by the ESA

<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>

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<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>

1. We welcome the introduction of formulas for all PAI products. This is one of the weaknesses of the current version of the SFDR. For ADEME, we view this as the best way of improving the comparability of financial products. The introduction of formulas for each PAI ensures that FMPs do not apply different formulas to different funds and entities, and above all that the assessment methodologies they apply are not sufficiently accurate to enable PAI to be properly assessed.
2. We support the inclusion of the unit tCO2eq for the evaluation of PAI on GHGs.
3. We fully support the introduction of a new formula for coal, driven by the explanation provided in the consultation document by the ESAs. ADEME, like the NGOs, is concerned that a significant proportion of the financial products in Article 9 of the SFDR are exposed to fossil fuels, and in particular coal-related activities. The information provided by DNSH at product level on how sustainable investments considering indicator PAI 4 in table 1 "exposure to companies active in the fossil fuel sector", will support transparency on the investments they make in the fossil fuel sector, is positive. We only regret that, as far as GHGs are concerned, ESAs does not require information on coal emissions in scopes 1, 2 and 3.
4. We also welcome the new wording of PAI 9 on investments in chemical-producing companies, with the inclusion of a reference to pesticides. However, we recommend the introduction of two distinct formulas. A single formula grouping together pesticides and other agrochemicals would be a confusing disclosure, as it is not possible to assess pesticides only, which we believe is detrimental to accurately assessing the volume of pesticide reductions in Europe.

However, ADEME also expressed concern about the absence of a PAI on plastics chemistry, and recommended a standard based on the CSRD's ESRS E2 standard on pollution including plastics. We would have expected a PAI to be included in this consultation, based on the same requirements as ESRS E2-4 - Air, water, and soil pollution.

*(*[*https://www.efrag.org/Assets/Download?assetUrl=%2Fsites%2Fwebpublishing%2FMeeting%20Documents%2F2211141505388508%2FDRAFT%20ESRS%20E2%20Pollution%2015%20November%202022.pdf*](https://www.efrag.org/Assets/Download?assetUrl=%2Fsites%2Fwebpublishing%2FMeeting%20Documents%2F2211141505388508%2FDRAFT%20ESRS%20E2%20Pollution%2015%20November%202022.pdf)*)*

According to this ESRS, the company provides the following separate information on its own activities for the reference period: "The information to be provided on microplastics under paragraph 3028(e) includes microplastics generated or used during production processes or purchased and leaving its facilities in the form of emissions, products or components of products or services.

ADEME also points out that pollution is one of the Taxonomy's six environmental indicators and is not included among the SFDR's PAIs. We therefore consider this inclusion to be justified to ensure consistency between regulations.

<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>

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<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>

The SFDR is a disclosure regulation, and ESAs has reiterated their position that it is not within its mandate to enforce a definition of DNSH and reaffirms the principle of a free interpretation of the definition by FMPs.

Today, the assessment of PAI is largely carried out by market players based on ESG data published by rating agencies and data providers, whose reliability is unsatisfactory, or based on data provided by investee companies. In this market context where data reliability is a hotly debated topic, and the main obstacle to improving DNSH assessment, we welcome the European Commission's June 13 proposal to establish regulations on ESG data to enhance data reliability.

As ESG ratings do not ensure good transparency, we agree with the ESAs proposal to require disclosure of the share of information for PAI indicators for which the financial market player relies on information directly from investee companies, for three reasons:

1- Enhancing transparency

2- Data disclosed by investee companies is verified by third-party auditors; the proposal to specify the origin of the data used to assess PAI guarantees a certain reliability.

3- It is also positive to improve comparability between products, and to ensure that FMPs and investee companies work closely together to improve the PAI.

<ESMA\_QUESTION\_SFDR\_11>

1. : What is your view on the approach taken in this consultation paper to define ‘all investments’? What are the advantages and drawbacks you identify? Would a change in the approach adopted for the treatment of ‘all investments’ be necessary in your view?

<ESMA\_QUESTION\_SFDR\_12>

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<ESMA\_QUESTION\_SFDR\_12>

1. : Do you agree with the ESAs’ proposal to only require the inclusion of information on investee companies’ value chains in the PAI calculations where the investee company reports them? If not, what would you propose as an alternative?

<ESMA\_QUESTION\_SFDR\_13>

1. ADEME understands the ESAs' proposal to specify in the normative text that the contribution of investee companies' value chains to PAI should be considered when the investee company reports impacts in its ESRS value chain as part of its own materiality assessment carried out in accordance with the ESRS. We also support the interlinking between the SFDR and the CSRD, which is crucial to ensure simplicity, reliability, and comparability of PAI calculations.
2. Nevertheless, the consequence of this proposal is that if the investee company does not report the negative impacts of its value chain, or if these are disclosed in other reports, there is no need to take them into account for PAI calculations.
3. We are concerned about the disclosure of information on the value chains of investee companies in PAI calculations only when disclosed by the investee company, although exceptions to this principle have been made for indicators 1-3 (GHG emissions, "carbon footprint", "GHG intensity of investee companies"), 15 ("amount of profits accumulated in non-cooperative tax jurisdictions") and 18 ("interference in the formation of trade unions or elections of workers' representatives").
4. We are concerned that the exclusion of other undisclosed PAI by investee companies may encourage companies and FMPs to shy away from them and delay the improvement of published value chain data. Whereas for many sectors and companies, the most significant PAI are those in scope 3 (value chains).
5. For these reasons, we recommend additional disclosure that specifies the actions that FMPs have implemented in collaboration with investee companies as shareholder engagement action, to enable disclosure of further PAI, as well as a timetable that details future disclosure targets.

<ESMA\_QUESTION\_SFDR\_13>

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

<ESMA\_QUESTION\_SFDR\_14>

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<ESMA\_QUESTION\_SFDR\_14>

1. : What are your views with regard to the treatment of derivatives in general (Taxonomy-alignment, share of sustainable investments and PAI calculations)? Should the netting provision of Article 17(1)(g) be applied to sustainable investment calculations?

<ESMA\_QUESTION\_SFDR\_15>

ADEME argues that derivatives should be included in the calculation of a financial product's taxonomy and PAI alignment. We agree with the ESAs' argument that there is a risk of mispricing PAI if it is not assessed on the underlying funds' current exposure. Disclosure should be made by disclosing the short position by converting it into an underlying equivalent.

<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>

Yes, the scope of the provisions of point g of paragraph 1 of Article 17 of the SFDR Delegated Regulation should be extended to all asset classes.

<ESMA\_QUESTION\_SFDR\_16>

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

<ESMA\_QUESTION\_SFDR\_17>

ADEME agrees with the main weaknesses detailed by the ESAs in their assessment of the DNSH framework, which is why we disagree with the "status quo" of the SFDR regulation and recommend that the SFDR be overhauled.

Indeed, FMPs cannot rely on predefined common criteria to assess the compliance of their investments with the DNSH principle. ADEME would like to introduce a new definition of a sustainable investment into the SFDR regulation. We advocate application of the definition of a sustainable investment based on the Taxonomy regulation.

We are concerned that a free interpretation of this definition by FMPs does not allow for improved DNSH and PAI assessments and minimizes the possibility of better comparability between products.

Article 2, paragraph 17, remains unclear. In the short term, maintaining a system based on two methodological differences between the DNSH taxonomy (economic activities) and the DNSH SFDR (at investment level) leads to inconsistencies and therefore to a poor assessment of the DNSH principle.

<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>

ADEME fully support the introduction of mandatory quantitative thresholds for the assessment of PAI, to establish granularity in the assessment of a product's DNSH.

ADEME considers that in this case, the application of the Taxonomy's DNSH would enable PAI indicators to be better assessed for the DNSH principle and would strengthen the assessment in products that are invested in “high impact climate sectors” with the reference to the sectors listed in Sections A to H and Section L of Annex I to Regulation (EC) No 1893/2006 of the European Parliament and of the Council.

We therefore consider that for investments in high impact sectors, the establishment of mandatory thresholds is necessary at both entity and financial product level for mandatory PAI. This is the only way to ensure that PAI in high-impact climate sectors are better considered, and that financial institutions' investments are in keeping with the targets set by the European green deal.

<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>

ADEME has carried out research to ensure its understanding of the principle proposed by ESAs to introduce an optional "safe harbour" for the environmental DNSH of taxonomy-aligned activities.

We understand that the suggested "safe harbour" would essentially apply to taxonomy-aligned economic activities. If they are taxonomy-aligned, they would be exempt from environmental DNSH requirements. However, the FMP would have to demonstrate that these activities meet the requirements of the social DNSH.

In the case of an investment with no use of proceeds, environmental and social DNSH would cover all the company's activities that are not aligned with the taxonomy.

In its FAQ published on June 13th on the taxonomy's minimum social safeguards, the Commission formalized a safe harbour for taxonomy-aligned activities. A company that publishes a non-zero alignment on the taxonomy complies with the social DNSH. As for the environmental DNSH, its activities aligned with the taxonomy automatically meet it. However, to qualify this investment as sustainable within the meaning of the SFDR, the FMP will have to ensure that the same is true for non-aligned activities.

In conclusion, we consider that the introduction of the optional "safe harbour" principle for the environmental SFDR makes its implementation complex for FMPs.

ADEME considers that, rather than creating a new definition for the assessment of DNSH, the most effective solution for simplifying the assessment of DNSH would be to standardize the definition of sustainable investment in the SFDR with that of the Taxonomy.

<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>

ADEME fully agrees with the ESAs' position and calls for a complete overhaul of Article 2 (17) of SFDR. SFDR in its current version does not allow for an assessment of the degree of sustainability of financial products and their investments. In this respect, the notion of "sustainable investment" provided for in Article 2(17) of SFDR is formulated in approximate terms, and its implementation by FMP has given rise to very different conceptions of what sustainability is, which does not allow comparability between products. The vague definition of sustainable investment needs to be clarified. For this reason, Article 2(17) of SFDR should be replaced by the definition derived from the EU Taxonomy which defines environmentally sustainable activities but adjusted to the level of investee company.

<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>

The SFDR regulation presents numerous uncertainties linked to problems of interpretation of insufficiently defined concepts, foremost among which is that of sustainable investment. As an ESMA stakeholder advisory group points out in its additional report on greenwashing of March 2023, the absence of a strict definition leads to risks of greenwashing: "The risk is that the category in Article 8 will no longer be relevant, while the category in Article 9 will no longer make sense". This is an example of how regulatory uncertainties can lead to less transparency and clarity for retail investors regarding the ESG intensity or ESG strategy of different funds.

We therefore propose the following measures to reduce greenwashing and make products more comparable:

1. The minimum criteria in Article 8 should remain less demanding, but shift from an insufficiently defined ESG approach to a transition finance rationale, as proposed in the new Sustainable Finance Strategy: "The Commission will propose minimum sustainability criteria, or a combination of criteria, for financial products falling under Article 8 of the SFDR, in order to ensure a minimum sustainability performance of these products, so as to strengthen the harmonized application of regulation and encourage transition efforts". In this respect, the definition of a commercial transition process needs to be clarified in terms of a common reference framework and concrete practices.
2. The notion of sustainable investment in art. 2.17 of the SFDR must be accompanied by a definition of what constitutes a sustainable activity according to the reference framework of the European taxonomy for sustainable activities.

<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>

We note the improvements made to the disclosure of Article 8 and 9 products, which have a greenhouse gas emissions reduction target. In principle we highly welcome the proposed changes: setting clearly the strategy, the levers (whether substitution or improvement of investees), associate a disclosure of the commitments and the tracking of its progresses. However, we feel that the definition of what is a GHG target setting strategy **might be too restrictive** by focusing on one metric, the carbon footprint (financed GHG emissions / current value of the portfolio). As a matter of fact:

* This metric (the carbon footprint) can fluctuate due to finance-only factors: for instance, should my portfolio have a +25% performance in one year there will be a -20% of the GHG metric **with zero actual climate impact**.
* **This is not the only way** financial institutions design their targets. A robust alternative to disclose targets could consist of physical intensity targets designed for one or several sectors within the financial product (e.g. tCO2eq/MWh for Electric Utilities, tCO2eq/t cement, tCO2eq/km for automobile manufacturer…). Most Net Zero Alliances are highlighting such targets that can directly link with Net Zero scenarios such as the NZE 2050 designed by IAE. The downside being the necessity to get several targets for one financial portfolio covering all the relevant sectors.
* Some other alternatives could be envisaged, **but they suffer from significant downsides**:
	+ GHG intensity targets (weighted average of GHG emissions/company’s revenue), which however in our view suffer from higher issues than carbon footprint target (e.g. should revenues increase due to inflation purpose, the GHG intensity will decrease mechanically). In addition, the physical interpretability of the metric is not straightforward.
	+ Absolute targets (ie in GHG emissions) which can be hard to interpret in a context of an open fund for instance.
	+ Various hybrid systems designed in order to cope with issues stemming from other target setting frameworks, for instance carbon footprint using “frozen” values *(E.g. calculating carbon footprint not on the current value of the investment but at its historical price, thus eliminating the market variation bias*). This can work notably for private equity products with stable portfolio/investors.

We understand that SFDR is set in order to disclose sustainable information and not orientated towardsone target design to the detriment of another, despite the fact that in our view physical intensity target are more relevant than carbon footprint targets, carbon footprint targets being themselves more relevant than GHG intensity targets.

In order to cope with reality of GHG target setting, we therefore propose **to add a layer of information where the FMP disclose the way it has designed its GHG decarbonation targets**, providing several choices as described above, and then going down through the process of describing the target/tracking the target implementation.

In addition, we fear that the way Article 14a is designed might prevent financial products with target setting on investments outside CSRD scope to get within the perimeter of the article, thus escaping from standardized disclosure requirements.

As **illustrative examples** the following changes could be made in order to cope with these issues. Template 3 of [Regulation 2022/2453](https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32022R2453) applying to credit institutions could be used as an example of physical intensity disclosure by sector.

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| --- | --- |
| **Initial wording** | **Proposal** |
| ‘Article 14aGHG emission reduction targets information1. Financial market participants shall disclose the information set out in the template in Annex II on GHG emission reduction targets where:(a) The GHG emission reduction target aims to reduce financed GHG emissions; and(b) The GHG emission reduction target is calculated on the basis of investments of the financial product to which the GHG accounting and reporting standard for the financial industry referred to in [Article / Section [XXX] of Commission Delegated Regulation (EU) …/… of … supplementing Directive (EU) 2022/2464 of the European Parliament and the Council] applies.2. The baseline financed GHG emission shall be expressed in tonnes of CO2-equivalent per million EUR and calculated according to the following formula:𝐵𝑎𝑠𝑒𝑙𝑖𝑛𝑒 𝐹𝑖𝑛𝑎𝑛𝑐𝑒𝑑 𝐺𝐻𝐺 𝑒𝑚𝑖𝑠𝑠𝑖𝑜𝑛 𝑖 (𝑡𝐶𝑂2𝑒𝑞/€𝑀)= 𝐹𝑖𝑛𝑎𝑛𝑐𝑒𝑑 𝐺𝐻𝐺 𝑒𝑚𝑖𝑠𝑠𝑖𝑜𝑛𝑠𝑖 (𝑡𝐶𝑂2𝑒𝑞)/𝐶𝑢𝑟𝑟𝑒𝑛𝑡 𝑣𝑎𝑙𝑢𝑒 𝑜𝑓 𝑖𝑛𝑣𝑒𝑠𝑡𝑚𝑒𝑛𝑡𝑠𝑖 (€𝑀)Where the value of the ‘Baseline financed GHG emissionsi’ is calculated for financial product i, and where the ‘current value of investmentsi’ refers to the financial product’s investments referred to in paragraph 1(b) and expressed in million EUR.The GHG emission reduction target shall be expressed in tons of CO2-equivalent per million EUR or in percentage terms relative to the baseline financed GHG emission.Investee companies’ GHG removals and storage, investee companies’ carbon credits and carbon credits of the financial market participant shall not be included in the calculation of the GHG emission reduction target of the financial product.1. Information on investee companies’ GHG removals and storage, investee companies’ carbon credits and carbon credits of the financial market participant shall be provided in accordance with the template set out in Annex II, in the section ‘What is the greenhouse gas emission reduction target of the product?’.

Where information on investee companies’ GHG removals and storage or carbon credits is not readily available, financial market participants shall provide details of the best efforts used to obtain the information either directly from investee companies, or by carrying out additional research, cooperating with third party data providers or external experts or making reasonable assumptions and indicate that such information is not available.’; | ‘Article 14aGHG emission reduction targets information1. Where a financial product has GHG reduction targets, financial market participants shall disclose the information set out in the template in Annex II. Financial market participants shall apply the following when disclosing this information: (a) The GHG emission reduction target aims to reduce **either** financed GHG emissions **or GHG physical intensity set by sector**; and(b) The GHG emission reduction target is calculated **in accordance with the GHG accounting and reporting standard for the financial industry referred to in [Article / Section [XXX] of Commission Delegated Regulation (EU) …/… of … supplementing Directive (EU) 2022/2464 of the European Parliament and the Council]**.**2. For financed GHG emission, the baseline** shall be expressed in tonnes of CO2-equivalent per million EUR and calculated according to the following formula:𝐵𝑎𝑠𝑒𝑙𝑖𝑛𝑒 𝐹𝑖𝑛𝑎𝑛𝑐𝑒𝑑 𝐺𝐻𝐺 𝑒𝑚𝑖𝑠𝑠𝑖𝑜𝑛 𝑖 (𝑡𝐶𝑂2𝑒𝑞/€𝑀) = 𝐹𝑖𝑛𝑎𝑛𝑐𝑒𝑑 𝐺𝐻𝐺 𝑒𝑚𝑖𝑠𝑠𝑖𝑜𝑛𝑠𝑖 (𝑡𝐶𝑂2𝑒𝑞)/𝐶𝑢𝑟𝑟𝑒𝑛𝑡 𝑣𝑎𝑙𝑢𝑒 𝑜𝑓 𝑖𝑛𝑣𝑒𝑠𝑡𝑚𝑒𝑛𝑡𝑠𝑖 (€𝑀)Where the value of the ‘Baseline financed GHG emissionsi’ is calculated for financial product I, and where the ‘current value of investmentsi’ refers to the financial product’s investments referred to in paragraph 1(b) and expressed in million EUR.The GHG emission reduction target shall be expressed in tonnes of CO2-equivalent per million EUR or in percentage terms relative to the baseline financed GHG emission.Investee companies’ GHG removals and storage, investee companies’ carbon credits and carbon credits of the financial market participant shall not be included in the calculation of the GHG emission reduction target of the financial product.**For GHG physical intensity set by sector, the baseline shall be expressed in tons of CO2-equivalent per the relevant physical unit given the sector and calculated according to the formula displayed in Annex I (3b).** **The GHG emission reduction target shall be expressed in tons of CO2-equivalent per physical unit or in percentage terms relative to the baseline financed GHG emission.****Investee companies’ carbon credits and carbon credits of the financial market participant shall not be included in the calculation of the GHG physical intensity reduction target of the financial product.**3. Information on investee companies’ GHG removals and storage, investee companies’ carbon credits and carbon credits of the financial market participant shall be provided in accordance with the template set out in Annex II, in the section ‘What is the greenhouse gas emission reduction target of the product?’.Where information on investee companies’ GHG removals and storage or carbon credits is not readily available, financial market participants shall provide details of the best efforts used to obtain the information either directly from investee companies, or by carrying out additional research, cooperating with third party data providers or external experts or making reasonable assumptions and indicate that such information is not available.’. |
| **ANNEX I** **Template principal adverse sustainability impacts statement**For the purposes of this Annex, the following formulas shall apply: | **ANNEX I** **Template principal adverse sustainability impacts statement**For the purposes of this Annex, the following formulas shall apply:**(3a) Given a sector s, investee’s company GHG physical intensity shall be calculated in accordance with the following formula:**$$\frac{investee company^{'}s Scope 1, 2 and 3 GHG emissions\_{s}(tCO2eq)}{investee company^{'}s output \_{s}(pu\_{s})}$$**Where the investee company’s output is the relevant activity data corresponding to sector GHG emissions (e.g. tons of cement for the cement sector, m² for building construction, passenger.km of product use for an automobile manufacturer…).****(3b) ‘GHG physical intensity of investee companies of sector s’ shall be calculated regarding a sector s in accordance with the following formula:**$$\sum\_{i=1}^{n\_{s}}\frac{Current value of investment(€M)\_{i,s}}{Current value of all investment in s(€M)}\* investee^{'}scompany GHG physical intensity (tCO2eq/pu\_{s})\_{i}$$**𝑤ℎ𝑒𝑟𝑒 𝑛s 𝑖𝑠 𝑡ℎ𝑒 𝑛𝑢𝑚𝑏𝑒𝑟 𝑜𝑓 𝑖𝑛𝑣𝑒𝑠𝑡𝑒𝑒 𝑐𝑜𝑚𝑝𝑎𝑛𝑖𝑒𝑠 of the sector s 𝑖𝑛 𝑡ℎ𝑒 𝑖𝑛𝑣𝑒𝑠𝑡𝑚𝑒𝑛𝑡𝑠.** |
| *ANNEX II* **Template pre-contractual disclosure for the financial products referred to in Article 8, paragraphs 1, 2 and 2a, of Regulation (EU) 2019/2088 and Article 6, first paragraph of Regulation (EU) 2020/852** What is the greenhouse gas emission reduction target of the product? [table description] | *ANNEX II* **Template pre-contractual disclosure for the financial products referred to in Article 8, paragraphs 1, 2 and 2a, of Regulation (EU) 2019/2088 and Article 6, first paragraph of Regulation (EU) 2020/852** ***How is the greenhouse gas emission reduction target of the product designed?*** * ***Carbon footprint reduction (tCO2eq/€M of investment value) ☐***
* ***GHG physical intensity reduction (tCO2eq/physical unit for one or several sectors) ☐***

What is the greenhouse gas emission reduction target of the product? **[table description where the unit is adapted to the target design disclosed at the previous question]** |

This preliminary remark being made, we think the implementation of reduction targets in the dashboard is a very important piece of information, making it easier to quickly understand the fund's management strategy and decarbonization objective. The disclosure of final and intermediate targets in pre-contractual documents, periodic reports make it possible to assess progress towards decarbonation strategy. We support the inclusion of intermediate targets, including for Article 8 funds, as the only way to assess the improvement and reliability of the funds' decarbonization strategy.

Notwithstanding the first remark on the fact that current templates are focusing only on carbon footprint target, which should be modified in order to take into account other types of targets, especially physical intensity ones, we support the draft version of the template included in the periodic documents for Articles 8 and 9 and welcome the clear improvement over the current version of the SFDR. The proposed table containing a breakdown between emission reduction targets, GHG removal and storage, carbon credits is a very useful step forward to enable a better analysis of funds decarbonization strategy. The main objective of these new disclosure requirements is to allow analysis of where financial players stand on a decarbonization trajectory, and above all whether the strategies put in place are sufficiently robust to allow analysis of whether Article 9 financial products are aligned with a 1.5°C trajectory, and fully aligned with the ambitions of the European Green Deal. Finally, these new requirements also allow for greater comparability between products.

<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>

We agree with the proposed approach of providing a link to benchmark disclosures for products having GHG emissions reduction as their investment objective under Article 9(3) SFDR. In Europe, Article 8 funds dominate the market. According to the latest data published by Morningstar5 (*https://assets.contentstack.io/v3/assets/blt4eb669caa7dc65b2/blt3d11671eef45f7ba/SFDR\_Article\_8\_and\_Article\_9\_Funds\_Q3\_2022\_FINAL.pdf)*, Article 8 funds account for almost 52% of funds marketed, and Article 9 funds for 3% of the market.

Our approach at ADEME is to consider that for funds to comply with Article 9(3) of the SFDR regulation, i.e. when the fund's management objective is to reduce carbon emissions, it is important that the requirements for Article 8 funds, known as ESG funds, remain less demanding than Article 9, but nevertheless, given Article 8 AUM, move from an insufficiently defined ESG approach to a transition financing rationale, as proposed in the renewed Sustainable Finance strategy - "The Commission will propose minimum sustainability criteria, or a combination of criteria, for financial products that fall under Article 8 of the SFDR, in order to guarantee a minimum sustainability performance of these products so as to reinforce the harmonized application of the regulation and encourage transition efforts".

On the basis of this argument, ADEME does not consider the transparency requirements set out in Article 8 to be an issue or to create any confusion with Article 9. Rather, they reinforce the requirements of Article 8 and correct a weakness of the SFDR, which did not require any disclosure for ESG funds which have a decarbonization objective to comply with alignment with the Paris Agreement

To conclude, ADEME warns that in 2023 the market will still include a very high proportion of Article 6 products. According to SFDR, Article 6 financial products do not promote environmental and/or social characteristics and do not have a sustainable investment objective. This fund market structure raises questions about the chances of success of the objectives set by the European Commission's 2019 Green Deal aimed at setting the EU on the path to ecological transition. In this context, the commitments made within the framework of Fit for 55, aimed at reducing net greenhouse gas emissions by at less than 55% by 2030 may not be achieved, if the proportion of financial products engaged in the transition of the real economy and that aligned with the taxonomy is not greater.

<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>

ADEME highly supports this distinction which has been made between commitments made by products to reduce their emissions financed either by a divestment or reallocation strategy or a strategy based on a commitment to complete a reduction in CO2 emissions by investing in companies who have implemented Transition Plans.

Providing information on the divestment or reallocation of funds will ensure that the commitments made by financial institutions to divest from fossil fuels are respected both in terms of outstanding and timing.

This transparency is also particularly useful for assessing where European companies stand in relation to the emission reduction targets set, but also thanks to the monitoring of intermediate targets for the robustness of their transition plans.

Finally, we also see an advantage in strengthening shareholder engagement. There is an absolute need to establish a dialogue between companies and financial actors to ensure that transition plans enable to achieve the objectives of the Paris Agreement.

<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>

ADEME considers that it would be very useful to have information on the degree of alignment of Article 9 funds, while being conscious that such question is complex and there might be some potential for greenwashing by setting a simplistic-indicator not physically-interpretable.

Thus, we do not believe that methodologies delivering outputs such as °C-alignment should be supported. However less simplistic methods should be used.

ADEME has set a methodology named [ACT](https://actinitiative.org/) which purpose is to assess, by relevant sector, the alignment of a company’s climate transition plans toward Paris’ agreement. An output is provided under the form of a scoring. A concrete example of use can be found on [WBA benchmarks](https://www.worldbenchmarkingalliance.org/climate-and-energy-benchmark/) that are using the ACT methodology to assess the transition of main companies in several high-emitting sectors across the world (see example for [a building benchmark](https://www.worldbenchmarkingalliance.org/publication/buildings/rankings/)).

ADEME is currently moving forward to develop an [ACT Finance](https://actinitiative.org/act-finance-roadtest/) methodology which exact purpose is to assess alignment of a financial institution toward Paris agreement. This methodology is [open source](https://actinitiative.org/wp-content/uploads/act_finance_investors_roadtest_v0-1.pdf) and currently under road-test, to be finalized by the end of the year 2023. We believe it can be easily adapted on a product perimeter.

This methodology set key questions, the main being:

* What are the objectives set by the financial institution/the product? (in term of GHG reduction but also in term of engagement and financing/de-financing of fossil fuel sectors)
	+ A methodology assesses the ambition of the GHG targets vs. a 2050 net zero scenario.
* What is the share of portfolios that is invested in green/transitioning companies? in absolute and in historical trend?
	+ “Green” and “transition” features of investments are framed through a double approach standard and use of internal financial institution definition, see indicator 4.1 p. 78 and following of [the methodology](https://actinitiative.org/wp-content/uploads/act_finance_investors_roadtest_v0-1.pdf))
* What is the governance framework, especially in term of decision making/risk management?

Thus, having a portfolio displaying its ADEME breakdown’s scoring can provide useful information on the alignment of the product toward transition. Global information is sum up in a triplet:

* A performance score (ranging from 0 to 20) assessing the alignment itself
* A narrative score (ranging from E to A) providing insights on the quality of the information and transparency, and potential controversies/lack of reliability
* A trend score (+/=/-) providing a view on the improvement/stagnation of the product.

Whatever the methodology used by the FMP, we believe the FMP has to make available the results of its ESG assessment method, that should include some following core principles in order to be credible. Note that these principles that are underlying ACT methodologies cope easily with CSRD ESRS E1 template:

1. An analysis of the issuer's various greenhouse gas emission reduction targets (scope 1, 2 and 3), including the net-zero ambition by 2050 and intermediate ambitions in the short, medium, and long term; as well as an analysis of the consistency between the trajectory defined by the targets and the sectoral scenarios aligned with the climate objectives set by the Paris Agreement.
2. An analysis of the means implemented by the issuer, and their relevance to achieving the trajectory objectives set (in particular, the action plans put in place, the financial resources allocated, and the company's strategy for engaging with its value chain to promote emissions reduction). Particular attention will be paid to the fact that carbon offsetting mechanisms are not a means of achieving the targets set.
3. Analysis of the issuer's governance structure and its ability to implement the strategy to achieve climate ambitions, in particular the policies defined, the composition and involvement of management bodies, the transparency of climate reporting and the extent to which just transition issues are considered.
4. To guarantee the availability of data, the definition of issuers subject to enhanced vigilance will be introduced progressively. Thus, issuers subject to enhanced vigilance are defined as issuers in "sectors with a high climate impact" as described in delegated regulation (EU) 2022/1288.

The sector to which an issuer belongs is defined based on the NACE code of its main activity. The candidate fund favors the use of the latest updated version of reference frameworks or recognized methods when available. In this respect, the candidate fund describes the external tools and frameworks used to support the quality of the analysis, in particular:

* Data definition and reporting frameworks used (e.g., CSRD, ISSB, TCFD), as well as data quality and consistency control mechanisms.
* The methodological references used (e.g., ACT, Climate Action 100+).
* The scenarios used for the various sectors subject to enhanced vigilance (e.g., the scenarios of the International Energy Agency, the One Earth Climate Model (OECM), the NGFS, SBTI or Transition Pathway Initiative scenarios).

If a FMP opts not to use the reference tools and frameworks listed above, even though they are available, it must provide a precise and convincing explanation for this choice, which will be given very close attention by the third-party certification.

TYPE YOUR TEXT HERE

<ESMA\_QUESTION\_SFDR\_25>

1. : Do you agree with the proposed approach to require that the target is calculated for all investments of the financial product? Please explain your answer.

<ESMA\_QUESTION\_SFDR\_26>

We agree that targets should be calculated based on all investments in the financial product.

ADEME considers that this requirement is necessary for the sectors mentioned in point 9 of Annex I of the SFDR regulation on models for declaring the main negative impacts on sustainability, i.e., "sectors with high climate impact".

<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>

See answer at question 22 regarding the fact that Financed GHG emissions are not the only metric used for target setting, GHG physical intensity being in our view more relevant. The multiplication of standards is one of the criticisms made by FMPs in the context of their disclosure and regulatory reporting obligations.

ADEME supports the choice of a single standard in accordance with the one adopted in the CSRD, as this enhances readability, analysis, and comparability between financial products.

For these reasons, ADEME supports the use of the Global GHG Accounting and Reporting Standard for the Financial Industry developed by PCAF.

<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>

In recent months, published investigations by newspapers and NGOs have demonstrated the unreliability of carbon credits, used by large companies to offset their CO2 emissions instead of reducing them.

Bringing transparency to the market is crucial and ADEME agrees with the approach used by ESAs based on ESRS E1.

This approach which contains a key requirement for companies to disclose the amount of GHG emissions reductions or removals (in tons of CO²eq) from climate change mitigation projects financed by carbon credit purchases.

It is important to disclose GHG emissions reduction to assess the credibility and integrity of the carbon credits used, by providing the rules for calculating, monitoring, and verifying the GHG emissions of the projects underpinning the voluntary carbon credits they will have acquired to meet their zero-emission targets.

This requirement is very important for increasing the transparency, credibility, and integrity of EU companies' actions to eliminate GHGs.

<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>

Although the European Commission and the Member States agree in principle on the introduction of mandatory climate transition plans for banks, the major banks have not yet released transition plans.

Faced with this absence, the proposal made by the ESAs to publish elements of coherence between the objectives set in the funds and those set at entity level is the only way to assess the positioning of entities and their products in relation to the transition and the commitments that may have been made within the framework of investor coalitions. As the subject of banks' investments in sectors with a high environmental impact is highly controversial, we welcome the ESAs' proposal for transparency on the consistency between product objectives and entity commitments. Nevertheless, ADEME considers that target is not sufficient and the publication and monitoring of the transition plans at the level of financial institutions are required to ensure adequate monitoring of investments in sectors with high climate impact.

<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>

TYPE YOUR TEXT HERE

<ESMA\_QUESTION\_SFDR\_30>

1. : Do you agree that the current version of the templates capture all the information needed for retail investors to understand the characteristics of the products? Do you have views on how to further simplify the language in the dashboard, or other sections of the templates, to make it more understandable to retail investors?

<ESMA\_QUESTION\_SFDR\_31>

TYPE YOUR TEXT HERE

<ESMA\_QUESTION\_SFDR\_31>

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

<ESMA\_QUESTION\_SFDR\_32>

TYPE YOUR TEXT HERE

<ESMA\_QUESTION\_SFDR\_32>

1. : Is the investment tree in the asset allocation section necessary if the dashboard shows the proportion of sustainable and taxonomy-aligned investments?

<ESMA\_QUESTION\_SFDR\_33>

TYPE YOUR TEXT HERE

<ESMA\_QUESTION\_SFDR\_33>

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

<ESMA\_QUESTION\_SFDR\_34>

TYPE YOUR TEXT HERE

<ESMA\_QUESTION\_SFDR\_34>

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

<ESMA\_QUESTION\_SFDR\_35>

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<ESMA\_QUESTION\_SFDR\_35>

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

<ESMA\_QUESTION\_SFDR\_36>

Currently, where the taxonomy alignment of investments is not provided in the public statements of investee companies, the use of "estimates" by FMPs is enabled based on information from other sources (ESG ratings, FMP proprietary assessments).

ADEME warns of the risk of assessment misleading and the need for enhanced vigilance.

For this reason, 3 conditions need to be fulfilled:

1. DNSH valuations based on the investee company's data should be the rule, to avoid misleading valuations based on the interpretation of sector-specific data.

2. Estimates should only be used for limited and specific parts of valuations, and FMPs should clearly explain the basis for their conclusions, as well as the reasons why they have had to carry out these valuations based on estimates, for the purposes of communication to end investors.

3. If it is to be possible to use estimates to evaluate DNSH based on equivalent information, controversy-based approaches must be discouraged and considered insufficient.

<ESMA\_QUESTION\_SFDR\_36>

1. : Do you perceive the need for a more specific definition of the concept of “key environmental metrics” to prevent greenwashing? If so, how could those metrics be defined?

<ESMA\_QUESTION\_SFDR\_37>

TYPE YOUR TEXT HERE

<ESMA\_QUESTION\_SFDR\_37>

1. : Do you see the need to set out specific rules on the calculation of the proportion of sustainable investments of financial products? Please elaborate.

<ESMA\_QUESTION\_SFDR\_38>

TYPE YOUR TEXT HERE

<ESMA\_QUESTION\_SFDR\_38>

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

<ESMA\_QUESTION\_SFDR\_39>

TYPE YOUR TEXT HERE

<ESMA\_QUESTION\_SFDR\_39>

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

<ESMA\_QUESTION\_SFDR\_40>

TYPE YOUR TEXT HERE

<ESMA\_QUESTION\_SFDR\_40>

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

<ESMA\_QUESTION\_SFDR\_41>

TYPE YOUR TEXT HERE

<ESMA\_QUESTION\_SFDR\_41>

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

<ESMA\_QUESTION\_SFDR\_42>

TYPE YOUR TEXT HERE

<ESMA\_QUESTION\_SFDR\_42>

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

<ESMA\_QUESTION\_SFDR\_43>

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<ESMA\_QUESTION\_SFDR\_43>

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