PensionsEurope's answer to the Joint Consultation Paper on the review of SFDR Delegated Regulation regarding PAI and financial product disclosures.

4 July 2023

www.Pensionseurope.eu

Reply form

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

12 April 2023
ESMA34-45-1218

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 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]. Further information on data protection can be found under the Legal notice section of the EBA website and under the Legal notice section of the EIOPA website and under the Legal notice section of the ESMA website.

[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.

General information about respondent

Name of the company / organisation	PensionsEurope
Activity	Insurance and Pension
Are you representing an association?	☒
Country/Region	Europe

Questions

Q1 : Do you agree with the newly proposed mandatory social indicators in Annex I, Table I (amount of accumulated earnings in non-cooperative tax jurisdictions for undertakings whose turnover exceeds € 750 million, exposure to companies involved in the cultivation and production of tobacco, interference with the formation of trade unions or election worker representatives, share of employees earning less than the adequate wage)?

<ESMA_QUESTION_SFDR_1>

We welcome the initiative from the ESAs to focus on social issues. Pension funds are often managed by social partners who represent the interests of both employers and employees, making social factors important to them. Indicators related to tax, the role of unions, and living wages are typically relevant ESG factors in ratings used by pension funds. The inclusion of these factors in PAI reporting could lead to increased pressure on corporate reporting (both European and non-European) and provide valuable data for ESG integration strategies.

However, we believe that tobacco should be excluded as a social PAI since it is more a health issue than a social one. PAIs should focus on social issues within companies' supply chains rather than on specific products. Including a product-related indicator like tobacco may have a cascading effect, potentially extending to other products such as gambling or alcohol, which are not directly related to social issues.

There are significant issues for FMPs in providing social PAIs, which need to be considered. Reporting relies heavily on estimates, and there is a lack of cross-comparability of data between sources, consequently, between FMPs, which results in a data gap for PAIs. As such, we would recommend PAIs to be first disclosed by companies themselves, both inside and outside the EU, prior to their adoption in the RTS.

The current version of the ESRS makes the ESRS standards, disclosure requirements, and data points, subject to materiality assessment, except for the disclosure requirements specified in the general disclosure standards. This makes it difficult for FMPs to collect the required data under the SFDR. In

addition, while using the ESRS as a basis for development, potentially in combination with a future ESAP, seems logical and can provide a solid foundation for further disclosures, it is important to acknowledge that pension funds often invest in non-EU jurisdictions, and this issue will not be resolved through CSRD reporting.

Considering all these challenges, it is important to focus on the most relevant PAIs with good and reliable data and ensure that the coverage adds value to the relevant product rather than broadening the scope of PAIs with poor data quality. Since it remains very difficult to collect all the data required for social PAIs' disclosures, we would also suggest making the reporting discretionary for FMPs.

In any case, we strongly recommend allowing sufficient time for FMPs to implement PAI reporting if any updates to the current version of the RTS are introduced. If updates occur in 2024, they should not have a retroactive effect. The PAI statement made in 2025 should be based on the reporting requirements during the year 2024.

Q2 : Would you recommend any other mandatory social indicator or adjust any of the ones proposed?

<ESMA_QUESTION_SFDR_2>

No. Financial market participants are currently facing significant challenges in obtaining consistent and reliable information from investees for their PAI statements. Given the existing data gap, we would not recommend introducing more social indicators at this time.

Q3 : 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>

We support introducing these new opt-in positive indicators and that they are based on the draft ESRS. We believe the lack of grievance mechanism for stakeholders is the most relevant. Investors play a crucial role in encouraging investee companies to address adverse impacts and grievance mechanisms are an important tool in the due diligence process. Transparency on the availability of grievance mechanisms is useful to target engagement or avoid sustainability risks.

Q4 : Would you recommend any other social indicator or adjust any of the ones proposed?

<ESMA_QUESTION_SFDR_4>

As explained above in Q2, we believe that it is too early to include any new social indicator given the current data gap. The access and availability of reliable data should always be considered. In this context, since the requirement to directly obtain the information from investee companies is inefficient, efforts to find data for PAI reporting could lead to greater dependency on third-party data.

Concerning the proposed social PAI indicators, we would suggest changing PAI 12 'Gender pay Gap between female and male employees' and PAI 13 'Management and supervisory bodies gender diversity' in table 1 to make them gender neutral where 0 is always positive and 100 is always negative. The amended formulas are summarised below:

We suggest that **PAI 12 Gender Pay Gap between female and male employees** and **PAI 13 Management and supervisory bodies gender diversity** in table 1 are made gender neutral in a way that 0 is always positive and 100 is always negative.

PAI 12:

$$\text{Gender Pay Gap}_i = \frac{(\text{pay of sex with highest pay in investee company}_i - \text{pay of other sex in investee company}_i)}{\text{pay of sex with highest pay in investee company}_i}$$

$$\sum_{i=1}^{n}\left(\frac{\text{current value of investment}_i}{\text{current value of all investments}} \times \text{Gender Pay Gap}_i\right)$$

where n is the the number of investee companies in the investments

PAI 13:

$$\sum_{i=1}^{n}\left(\frac{\text{current value of investment}_i}{\text{current value of all investments}} \times \right.$$

((*number of* board members of the overrepresented sex on the *board* in the investee company$_i$ - *number of* board members of the underrepresented sex on the *board in investee company*$_i$) / (*number of* board members of the overrepresented sex on the *board in investee company*$_i$))

where n is the the number of investee companies in the investments

Q5 : 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>

In general, we support replacing the UN Global Compact Principles with the UN Guiding Principles and ILO Declaration on Fundamental Principles and Rights at Work. This proposal enhances the compatibility between social PAI and the EU Taxonomy indicators on minimum safeguards. Such alignment is important, considering that the Taxonomy already refers to the SFDR (recital 35) and highlights the need for coherence between both the Taxonomy and the SFDR (recital 36).

However, it is important to consider that many pension funds have only recently started implementing the current requirements. We advocate for minimising changes in the SFDR disclosures

and providing pension funds with sufficient time to meet the existing standards before implementing any proposed changes.

Q6 : For real estate assets, do you consider relevant to apply any PAI indicator related to social matters to the entity in charge of the management of the real estate assets the FMP invested in?

<ESMA_QUESTION_SFDR_6>

We are against the inclusion of any PAI indicator related to social matters to the entity responsible of the managing of the real estate assets in which the FMP has invested. We do not find this reporting to be valuable, particularly when the manager can sometimes be the FMP itself.

The purpose of PAI indicators is to disclose the negative impacts of investments. Social matters related to FMPs should instead be part of the reporting requirements of the CSRD. Indeed, this PAI would lead to more confusion by blurring the distinction between both regulations.

There are more significant social issues concerning real estate, such as affordable housing or tenant treatment. These issues remain often based on national contexts and legislations, which would make it difficult to include them as PAIs.

Q7 : 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>

Yes. We believe that it is important to enhance the alignment between the SFDR and the EU Taxonomy in order to reduce the regulatory burden and simplify the reporting for FMPs. Currently, the alignment relies on Energy Performance Certificates (EPC) labels, which are not applicable to real estate assets outside of Europe. To address this limitation, we propose linking this PAI to the Carbon Risk Real Estate Monitor (CRREM) decarbonisation pathways. The CRREM tool is used by investors globally to assess and mitigate carbon performance and stranded asset risk in real estate investments. By incorporating the CREEM, we can establish a more accurate metric for measuring the energy efficiency of real estate properties.

Q8 : 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>

It is necessary to provide clarification on the meaning of the term 'current value of investments' and specify the accounting value to which it refers. Additionally, the interaction between these values

poses challenges, especially when applied to certain asset classes, due to existing data gaps. This, in turn, also leads to results in inaccurate approximations of exposure to companies, as the end-of-year EVIC is combined with quarterly average value of investments. To address these issues, it is important to include the precise formulas for calculating the 'current value of investment' and 'current value of all investments' in the list of formulas provided in Annex I

Q9 : Do you have any comments or proposed adjustments to the new formulae suggested in Annex I?

<ESMA_QUESTION_SFDR_9>

We appreciate that the ESAs try to expand and clarify the proposed formulas for calculating PAI indicators. We believe that some adjustments could still be made:

- The denominator should only include investments in the assets covered by the respective PAI indicator to prevent any dilution risk of the PAI.
- PAI 5 The formula for 'share of non-renewable energy consumption and production' is clear but is different from what is delivered from MSCI.
- PAI 6 The formula for 'energy consumption intensity per NACE sector' should use MWH instead of GWH since GWH would only lead to very low values for the indicator.
- PAI 13 The formula for 'gender diversity board' does not seem to correspond to the description made in Table 1.
- PAI 47 The formula for 'rate of recordable work-related injuries' should not use the company's €M revenue as work-related injuries are not dependent on revenue. Using the total number of employees in the denominator would be a more sensible approach.

Q10 : Do you have any comments on the further clarifications or technical changes to the current list of indicators? Did you encounter any issues in the calculation of the adverse impact for any of the other existing indicators in Annex I?

<ESMA_QUESTION_SFDR_10>

In principle, we find these clarifications and technical changes to be useful. Still, more clarification is required concerning PAI formulas that use the current value of all investments for footprint calculations. It should also be noted that PAI definitions primarily focus on the investee company and might not be helpful in assessing indirect investments and exposure to derivatives.

Q11 : 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>

No. The proposed definition is challenging, and it should be clarified what is meant by 'directly'. Pension funds, and even fiduciary managers preparing SFDR reporting on their behalf, need to rely on data providers and external asset managers to obtain PAI data, even when it is based on corporate reporting. It should be explicitly stated that the use of data from data providers by FMPs and the collection of information by FMPs themselves have the same regulatory standing. A more precise formulation should also make the distinction between PAI disclosures based on corporate or supranational reporting on the one hand and estimates on the other hand.

Moreover, the current data gap needs to be taken into account. Requiring FMPs to obtain all the information directly from investee companies would be excessively burdensome. Instead, the proposed considerations can only be made if there is no extension of the requirements, and the disclosure of the percentage of current value should align with the implementation of Q&A II.1 from November 2022.

Q12 : 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 recommend that the calculation of PAI focuses on the specific category of exposures rather than considering all investments. This approach would ensure that only assets covered by the PAI indicators are included in the calculation, resulting in a more accurate assessment.

We disagree with the ESAs' statement that this approach undermines comparability between FMPs. In reality, comparability based on the old approach is already challenging due to significant differences in asset allocation among FMPs. These disparities render any comparison practically irrelevant and undermine the notion of comparability.

Q13 : 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>

Once the ESRS is in place, FMPs will have the option to rely on the materiality assessment under the CSRD. However, it is important to note the divergence in the CSRD requirements between EU and non-EU-based companies, as the latter does not incorporate the value chain. We have reservations regarding the potential impact on achieving objective comparability of PAI statements since this discrepancy might encourage FMPs to invest outside the EU to lower their PAI score.

Q14 : Do you agree with the proposed treatment of derivatives in the PAI indicators or would you suggest any other method?

<ESMA_QUESTION_SFDR_14

We support the objective of reducing greenwashing and acknowledge the risk that FMPs can inflate sustainable investments or deflate PAI values through the use of derivatives. In the case of pension funds, it should be noted that in most cases they do not hold derivatives for exposure to equity or corporate debt. The workload related to the proposed treatment would be disproportionately compared to the limited effects derivatives actually have on PAI values. Introducing this treatment would add an additional regulatory burden on pension funds.

Q15 : 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>

Q16 : 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>

Q17 : Do you agree with the ESAs' assessment of the DNSH framework under SFDR?

<ESMA_QUESTION_SFDR_17>

We do not find it relevant to harmonize DNSH at this stage because the reporting on sustainable investment for FMPs lacks comparability under the current SFDR. It would be more appropriate to consider the DNSH framework after revising the next SFDR Level 1 consultation. Currently, reporting on DNSH is overly technical and complex for pension funds. We support any changes only if they provide greater clarity and reduce the regulatory burden for pension funds.

We are also concerned that DNSH considerations are made at the individual entity level, while PAI disclosures were intended for portfolio-wide reporting. The SFDR should avoid defining PAI thresholds or requiring FMPs to establish their own quantitative thresholds. Instead, FMPs should have flexibility in how they use PAIs for DNSH checks, including handling missing PAI data and determining the suitability of PAI indicators with DNSH. Given the limited data coverage, we also suggest giving FMPs discretion in how they use alternative metrics to determine if an investment has significant harm, rather than strictly relying on the PAI definition.
Some PAI indicators are also not suitable for DNSH and may result in false positives and false negatives. For instance, using board diversity as an indicator may exclude companies with fewer board members than required. Therefore, we believe that when applicable and relevant, relying on the Technical Screening Criteria is a preferable approach. However, this only apply to a limited portion of a pension fund's portfolio.

The current framework could result in a company being Taxonomy aligned but not necessarily considering sustainable investment. We strongly believe that the mistakes of this design should be thoroughly reconsidered through an SFDR Level 1 review, rather than attempting quick fixes using the DNSH framework.

Q18 : 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>

In principle, disclosing various levels of sustainable investments, including those falling under Article 2(17), could facilitate the disclosure of environmental investments that currently do not meet the taxonomy criteria due to data gaps.

We are still concerned that implementing such thresholds would place an additional regulatory burden on pension funds since it would involve specifying the use or non-use of thresholds, resulting in longer and potentially complex disclosures that may be challenging for readers to comprehend. As long as data remains incomplete and unpredictable, it is more important to prioritise the policy disclosure and the methodology rather than establishing a specific quantitative threshold.

Q19 : 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>

Yes. the introduction of a 'safe harbour' provision offers greater clarity to FMPs. This should be the focus of the DNSH at this stage instead of trying to achieve comparability, which will not be possible before any review of the SFDR level 1 regulation.

Q20 : 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>

We believe that more alignment would make sustainability reporting easier. We also agree that, in theory, the Taxonomy TSCs would be better suited to form the basis of DNSH assessment. However, we would like to highlight that the DNSH check is only helpful for a very small portion of all sustainable investments, and it is unclear whether this could solve the current issue of comparability.

Q21 : Are there other options for the SFDR Delegated Regulation DNSH disclosures to reduce the risk of greenwashing and increase comparability?

<ESMA_QUESTION_SFDR_21>

No. As explained in Q17 and Q20, a revision of the SFDR level 1 is required to reduce the risk of greenwashing and to increase comparability.

Q22 : 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>

The proposed disclosure requirements are difficult to understand and mostly suited to professional investors. We recommend conducting user tests on the customer-facing documents during the revision of the Disclosure Regulation. The insights gained from these tests will provide better-suited reporting for pension funds' participants.

Q23 : 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>

Q24 : 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>

While this discussion could help identify investment opportunities in companies that are in the process of lowering their GHG emission targets, we do not believe that the distinction is actionable. Pension funds engage in continuous trading to balance their portfolio or make adjustments due to companies being added or removed from indices. Imposing this requirement would be burdensome and could potentially increase greenwashing.

The main goal of SFDR disclosures is to contribute to real-world emissions reductions, and divestment and portfolio changes are only relevant if they contribute to achieving this goal. While reallocating investments to reduce financed emissions is relatively easier, the sustainability potential and commitment of an investment strategy should be evaluated based on its real-world impact, even if the criterion of 'financed emissions' does not fully capture it. Providing a qualitative breakdown where FMPs explain the significance of all factors in decarbonisation could be a more suitable approach. Providing a qualitative breakdown where FMPs explain the significance of all factors in decarbonisation could be a more suitable approach.

Q25 : 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>

Q26 : 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>

No. The calculation of the target for all investments would result in overly complex figures. This calculation should at least complement each asset class's specific objectives.

A better alternative would be to allow disclosures to be made without including government bonds, as the approach followed in the Taxonomy. Since pension funds make significant investments in government bonds, and the allocation of equities depends mostly on the duration of the liabilities, this approach would offer greater clarity in understanding the pension fund's involvement in sustainable investments.

Q27 : 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>

We are in favour of more alignment between the standards in the SFDR and CSRD to avoid regulatory burden and improve the disclosure process.

We agree that the PCAF is the most useful methodology to calculate financed emissions. It should be noted, however, that the PCAF under the current ESRS is not mandatory, but only mentioned. If the PCAF were to be used as a standard for CO2 reduction disclosures, some considerations must be made for a successful implementation, including flexibility in the choice of methods due to the current data gap, avoiding the consolidation of emission figures for government bonds into the investors' total financed CO2 figures, and reporting CO2 emission for government bonds as production based.

Q28 : 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>

We welcome more consistency between the CSRD reporting requirements and the SFDR disclosures, making sustainability reporting easier for FMPs.

Q29 : 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>

Most pension funds do not differentiate between the product level and the company level, as the entity (the pension funds) offers a single product (the pension scheme). We believe that the provision of this disclosure should be made voluntary.

Q30 : 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>

In general, we are in favour of the ESAs' efforts to simplify the disclosures. However, we believe that the disclosures remain too complex for readers and that further efforts are required to make the information more accessible.
While we believe that the dashboard is one step in the right direction, we are concerned that it could emphasise some figures that are not robust enough due to the current data gap. If the dashboard were

to be included despite this issue, we would recommend providing readers with a summary of the templates to make the information easier to understand.

Q31 : 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>

Q32 : Do you have any suggestion on how to further simplify or enhance the legibility of the current templates?

<ESMA_QUESTION_SFDR_32>

We suggest shortening the templates to make the information easier to follow for customers. We would also support the implementation of large-scale testing activities. This would help to adjust and to better understand what information is required by pension funds' participants.

Q33 : 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>

Yes. The investment tree is a useful tool to provide clear visual communication of the information in the templates. We would therefore encourage the investment tree to be retained in the templates.

Q34 : 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>

Colour coding can bring further clarity, but documents are often printed in black and white. Strikethrough icons might be a potential solution to solve this issue.

Q35 : 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>

We generally support this initiative as it would provide clearer information to participants. However, it should be noted that it might not be always available to display the disclosures electronically. For instance, pension funds provide periodic disclosures in their annual reports and layering might not be possible. We would suggest electronic displaying be made optional.

Q36 : Do you have any feedback with regard to the potential criteria for estimates?

<ESMA_QUESTION_SFDR_36>

In theory, using estimates can be useful when the relevant data is unavailable and required from FMPs. However, this can lead to a high risk of false estimates and potential greenwashing. We would tend to oppose using them in the first place.

Q37 : 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>

No. As explained in Q36 we are concerned with the risks linked to the use of estimates.

Q38 : Do you see the need to set out specific rules on the calculation of the proportion of sustainable investments of financial products? Please elaborate.

<ESMA_QUESTION_SFDR_38>

The proportional approach is important to increase transparency and to ensure that sustainability reporting is accurate.

Q39 : 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 support the idea that cross-referencing is useful to address information overload. SFDR periodic disclosures are very long. Since the RTS clearly provides for the possibility to use hyperlinks to address the excessive amount of information in pre-contractual disclosures, this should also be made possible for period disclosures.

In general, we think that it would be more appropriate to include one single link to a webpage that would include all relevant annexes. Separate links would be more confusing to members and a clearly defined webpage would simplify the flow of information.

Q40 : Do you agree with the proposed website disclosures for financial products with investment options?

<ESMA_QUESTION_SFDR_40>

We are in favour of making disclosures more accessible. However, we believe that only relevant information to pension funds' members should be published and that it should not lead to making the information disclosures more difficult to understand for participants.

Q41 : 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>

Q42 : 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 unclear how the machine-readable format would have any effect on how pension funds members access and understand the documents. Duplicating manufacturers' requirements by asking them to provide the same figures in another format would add another layer of complexity to the reporting. SFDR templates are mostly available in PDF format, and we would recommend a similar approach.

Regardless of these concerns, if the Joint Committee decides to mandate the information disclosure in a machine-readable format, we suggest the following formats: YAML, XML or JSON, with a preference for **JSON**.

Q43 : 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>

PensionsEurope's answer to the Joint Consultation Paper on the review of SFDR Delegated Regulation regarding PAI and financial product disclosures

About PensionsEurope

PensionsEurope represents national associations of pension funds and similar institutions for workplace and other funded pensions. Some members operate purely individual pension schemes.
PensionsEurope has **25 member associations** in 18 EU Member States and 4 other European countries[2].

PensionsEurope member organisations cover different types of workplace pensions for over **110 million people.** Through its Member Associations PensionsEurope represents **€ 7 trillion of assets** managed for future pension payments. In addition, many members of PensionsEurope also cover personal pensions, which are connected with an employment relation.

PensionsEurope also has **20 Corporate and Supporter Members** which are various service providers and stakeholders that work with IORPs.

PensionsEurope has established a **Central & Eastern European Countries Forum (CEEC Forum)** to discuss issues common to pension systems in that region.

PensionsEurope has established a **Multinational Advisory Group (MAG)** which delivers advice on pension issues to PensionsEurope. It provides a collective voice and information sharing for the expertise and opinions of multinationals.

What PensionsEurope stands for

- A regulatory environment encouraging workplace pension membership;
- Ensure that more and more Europeans can benefit from an adequate income in retirement;
- Policies which will enable sufficient contributions and good returns.

Our members offer

- Economies of scale in governance, administration and asset management;
- Risk pooling and often intergenerational risk-sharing;
- Often "not-for-profit" and some/all of the costs are borne by the employer;
- Members of workplace pension schemes often benefit from a contribution paid by the employer;
- Wide-scale coverage due to mandatory participation, sector-wide participation based on collective agreements and soft-compulsion elements such as auto-enrolment;
- Good governance and alignment of interest due to participation of the main stakeholders.

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[2] EU Member States: Austria, Belgium, Bulgaria, Croatia, Denmark, Finland, France, Germany, Greece, Hungary, Ireland, Italy, Luxembourg, Netherlands, Portugal, Romania, Spain, Sweden. Non-EU Member States: Iceland, Norway, Switzerland, UK.