**Reply form**

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

12 April 2023ESMA34-45-1218

**Responding to this paper**

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

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

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

**Instructions**

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

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

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

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

**Publication of responses**

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

**Data protection**

The protection of individuals with regard to the processing of personal data by the ESAs is based on Regulation (EU) 2018/1725[[1]](#footnote-2). Further information on data protection can be found under the [Legal notice](http://www.eba.europa.eu/legal-notice) section of the EBA website and under the [Legal notice](https://eiopa.europa.eu/Pages/Links/Legal-notice.aspx) section of the EIOPA website and under the [Legal notice](https://www.esma.europa.eu/legal-notice) section of the ESMA website.

**General information about respondent**

|  |  |
| --- | --- |
| Name of the company / organisation | FAIRR Initiative |
| Activity | Non-financial counterparty |
| Are you representing an association? |  |
| Country/Region | UK |

**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>

Yes. We believe social indicators around investment in the cultivation of products that are risks to public health, as well as companies that interfere in workers rights and adequate working conditions are of the utmost importance for full transparent and sustainable investment products. Our report on labour risk in meat processing companies found that [companies often overlook union and internal worker representation mechanisms](https://www.fairr.org/resources/reports/working-conditions-phase-2-update-report) and are not fully transparent around social risk reporting. Investment in companies found to breach workers’ rights should be made visible. FAIRR’s methodology to assess companies includes freedom of association including disclosing their collective bargaining or unionisation rates (see: https://www.fairr.org/index/esg-factors/working-conditions-esg-factor/).

<ESMA\_QUESTION\_SFDR\_1>

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

<ESMA\_QUESTION\_SFDR\_2>

The SFDR mentions “investments in companies with sustainable land/agriculture practices” as an adverse impact metric under “climate and other environment-related indicators”. Related to this, we would support the addition of a social indicator on decent labour conditions specific to the land/agriculture sector since the [UN SDGs highlight](https://www.worldbank.org/en/research/dime/brief/agriculture#:~:text=The%20Sustainable%20Development%20Goals%20(SDGs,of%20small%2Dscale%20food%20producers.) that agriculture is the single largest employer in the world (40% of the population earns its income from agriculture). [A recent report by the ILO](https://www.ilo.org/wcmsp5/groups/public/---ed_dialogue/---sector/documents/normativeinstrument/wcms_873895.pdf) also states that agri-food workers often face “poor working conditions” and “long hours” and are often characterised by “casual forms of labour and precarious working”. With such great importance and potential adverse impact, investment in related industry must be transparent around these indicators.

<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>

Yes. We support transparency on social indicators around working conditions and the protection of workers’ rights across all industries, and actively engage our own investor network around [working conditions within the meat supply chain](https://www.fairr.org/engagements/working-conditions).

<ESMA\_QUESTION\_SFDR\_3>

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

<ESMA\_QUESTION\_SFDR\_4>

Please see our response to Q2:

The SFDR mentions “investments in companies with sustainable land/agriculture practices” as an adverse impact metric under “climate and other environment-related indicators”. Related to this, we would support the addition of a social indicator on decent labour conditions specific to the land/agriculture sector since the [UN SDGs highlight](https://www.worldbank.org/en/research/dime/brief/agriculture#:~:text=The%20Sustainable%20Development%20Goals%20(SDGs,of%20small%2Dscale%20food%20producers.) that agriculture is the single largest employer in the world (40% of the population earns its income from agriculture). [A recent report by the ILO](https://www.ilo.org/wcmsp5/groups/public/---ed_dialogue/---sector/documents/normativeinstrument/wcms_873895.pdf) also states that agri-food workers often face “poor working conditions” and “long hours” and are often characterised by “casual forms of labour and precarious working”. With such great importance and potential adverse impact, investment in related industry must be transparent around these indicators.

<ESMA\_QUESTION\_SFDR\_4>

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

<ESMA\_QUESTION\_SFDR\_5>

We support the proposed changes to the existing mandatory social indicators listed on pg. 9 of the Joint Consultation Paper and agree to replacing the UN Global Compact Principles with the UN Guiding Principles.

The UN Global Compact Principles are useful for defining strategic ESG objectives andperforming self-assessments, while the UN Guiding Principles provide clear standards that seek to avoid or mitigate violations before they occur (with some level of investigatory procedure in the event a company breaches these commitments). Additionally, this change allows for consistency with other pieces of national and subnational legislation that already require these frameworks, as mentioned in the consultation document.

As for the proposed opt-in indicators, we would encourage that they be made mandatory as many of those listed overwhelmingly concern workers in the agriculture/food sector, which as previously mentioned, is the largest employer in the world and a material risk to a majority of investors.

The opt-in indicators related to the food/agriculture sector, and the communities that support them, which we encourage be made mandatory include: 1) excessive use of non-guaranteed hour employees in investee companies, 2) excessive use of temporary contract employees in investee companies, 3) excessive use of non-employee workers in investee companies, and 4) lack of grievance/complaints handling mechanism for communities affected by the operations of the investee companies.

The social risks related to this indicator are high, making mandatory reporting important. Data collection around these indicators are feasible as many investors in our network already track investee companies on the same.

<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>

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<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>

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<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>

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<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>

TYPE YOUR TEXT HERE

<ESMA\_QUESTION\_SFDR\_11>

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

<ESMA\_QUESTION\_SFDR\_12>

We agree that the ESA’s approach to “all investments” as covering all the investments made by the financial market participant (FMP) and agree with the rationale on pg. 13 of the Joint Consultation Paper that this helps with comparability between FMPs and reduces the calculation burden. There are drawbacks to all approaches, but this proposal appears to be the most appropriate from a comparability and relevance point of view.

<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>

The issue around data collection and what is feasible for FMPs to acquire is a crucial one and echoed in our responses to other questions on this form.

While transparency and disclosure of corporate activity across value chains is important (especially considering that for some companies, GHG emissions and adverse impacts related to social and environmental indicators may be greatest across value chains due to indirect company activities, as opposed to a company’s direct operations), it is challenging to require the inclusion of information that is not reported on.

Additionally, it is important to consider materiality. Requirements around reporting should concern the most material investee company value chains. This calls for additional guidance but [the Science Based Targets Network (SBTN) Sectoral Materiality Tool](https://sciencebasedtargetsnetwork.org/wp-content/uploads/2022/02/Sectoral-Materiality-Tool_UNEP-WCMC_January-2022.xlsx) is a quality screening tool to quickly ascertain if a particular activity/sector is material to the environment.

Requiring the inclusion of investee companies’ value chains in calculations will indeed bring the SFDR closer to other regulatory frameworks for sustainable finance, including the CSRD, but such a requirement should include parameters around what information FMPs should be able to feasible acquire, what is material and additional guidance on best practice.

<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>

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<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>

TYPE YOUR TEXT HERE

<ESMA\_QUESTION\_SFDR\_16>

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

<ESMA\_QUESTION\_SFDR\_17>

We agree with your assessment of the DNSH framework on pg. 19 of the Joint Consultation Paper in that “d*ue to SFDR being a disclosure framework, financial market participants cannot rely on predefined, common criteria in order to assess compliance of their sustainable investments with the DNSH principle, as they only have to take into account PAI indicators in their assessment. Considering the fact that ‘taking into account’ remains undefined, FMPs have discretion about the criteria they will apply when conducting the assessment*”. FAIRR has also publicly commented in the past that the DNSH framework of the EU Taxonomy is missing some important agriculture-specific criteria, such as antimicrobial resistance (AMR) (see: https://www.fairr.org/news-events/press-releases/investor-letter-eu-taxonomy).

For more robust compliance, better comparability of data and to prevent greenwashing, more specific disclosure requirements under DNSH is needed, and we have provided our suggestions around this in our response to Question 21. This may make the exercise more complex for certain FMPs but it is critical. Ultimately, we believe the EU Taxonomy is best to define DNSH as it was developed to set parameters around what environmental criteria in EU sustainable finance policy should look like.

<ESMA\_QUESTION\_SFDR\_17>

1. : With regard to the DNSH disclosures in the SFDR Delegated Regulation, do you consider it relevant to make disclosures about the quantitative thresholds FMPs use to take into account the PAI indicators for DNSH purposes mandatory? Please explain your reasoning.

<ESMA\_QUESTION\_SFDR\_18>

It could potentially be helpful to make mandatory the disclosure of quantitative thresholds that FMPs use to take into account the PAI indicators for DNSH purposes; however, there are risks with this approach as it risks overcomplicating the framework and creating duplicative burdens. In addition, there are risks that transition finance would be disincentivised in terms of investments that have credible plans in place to reduce harm over time, so this should be approached carefully. It may be more relevant to call for use of the EU Taxonomy DNSH thresholds.

If disclosure of thresholds are to be made mandatory, these must be adjusted by sector and should not be sector agnostic. A “pass/fail” or binary assessment for thresholds should be avoided, except for FMP activities in sensitive sectors. If there is activity in sensitive sectors, then FMPs could provide a statement or additional disclosure on their DNSH initiatives in that particular sector. For instance, emission abatement tech in oil and gas, or engagement with suppliers in regions where land use change is high, etc.

<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>

We agree with a safe harbour for taxonomy-aligned activities as they have already undergone a DNSH assessment. However, this could have an impact on comparability, and it must be made clear whether the whole investment would be regarded as a “sustainable” under SFDR or just the proportion that relates to the “taxonomy-aligned activities”. With this noted, we believe it is necessary to revise Level 1 of the SFDR to clarify the definition of ‘sustainable investment’ by explicitly referring to the EU Taxonomy criteria for environmental issues.

<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>

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<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>

Greenwashing is an increasing risk to FMPs. Level 2 of the SFDR was meant to help reduce the risk of greenwashing by requiring FMPs to better define funds under specific categories according to their sustainability characteristics. Additionally, most organisations required to report under the SDFR are also required to comply with the EU Taxonomy, which already provides guidance on what constitutes a sustainable activity. However, there is still a lot of room for FMP discretion.

We agree that current disclosures could also be improved upon to require more granular information, as outlined on pg. 25-26 of the Joint Consultation Paper. FMPs should be required to publish further information at product level, including the thresholds for the use of PAI indicators to determine that their sustainable investments do no significant harm, to allow for better transparency and some degree of comparability between financial products. When it comes to emission abatement measures, following quality Measurement, Reporting and Verification (MRV) practices and reporting uncertainty or confidence intervals of emission abatement potential of technologies would be helpful in avoiding greenwashing. For instance, the potential of many nature-based solutions - such as regenative agriculture - within the agricultural sector is quite variable and could pose a greenwashing risk. Aligning with disclosure and reporting standards related to specific sectors and ESG risks, such as the GHG protocol Scope 3 standard, might be useful. It would also be ideal to have disclosures on carbon credits versus carbon removals, specifically on type of removal, additionality, permanence, co-benefits, interdependencies, third-party certification or verification etc.

It is also well documented that the availability of environmental data needed for SFDR compliance is challenging to obtain or even non-existent. To further manage risks, focus should be on improving data collection, which will in turn improve how FMPs implement SFDR requirements. The SFDR should align requirements around data collection with what FMPs can feasibly obtain. We are not suggesting that all FMPs should have the authority to decide what data to disclose or what investments to disclose on, but that SFDR requirements should include more due diligence on how data is collected for all indicators and thresholds and provide reference to best practice for data collection. Disclosures on the data quality (primary or secondary data), methodology, key exclusions, certifications etc., can also help in avoiding greenwashing.

In addition, it is notable that there are various technical criteria proposed by the Platform for Sustainable Finance, which have not been turned into a new Taxonomy Delegated Act yet including important activities such as manufacture of food products and beverages under the biodiversity objective, as well as forestry and agriculture.

<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>

The ESA proposals around enhanced disclosure at product level to clarify the type and level of ESG commitment the product is making is important. Investors need to see that the targets around their investments are feasible and decision-useful, and that includes having access to information on commitments to divest or reallocate investments according to a companies’ GHG emissions, or commitments to achieving reductions by working with investee companies. Again, an important factor here is ensuring that FMPs are able to collect the data required and are provided with best practice and guidelines to do so feasibly and efficiently.

We agree that requiring the use of the [PCAF’s Standard for the measure of financial product-level baseline financed GHG emissions](https://carbonaccountingfinancials.com/files/downloads/PCAF-Global-GHG-Standard.pdf), when setting and disclosing targets, as it is a global standard (despite some limitations when it comes agriculture/forestry, which is important to note) and feel it would generally support consistency in the way targets are set and progress is measured and reduce the burden on FMPs.

<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>

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<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>

We believe that this distinction would be useful for investors and actionable for FMPs. FAIRR is of the opinion that engagement with investee companies on reducing their emissions or developing robust climate transition plans is more useful than divestment. This is because more progress can be made by discussing with the leaders of the companies you are invested in and by influencing corporate behaviour, as this can ultimately lead to positive environmental and social change. Product-level commitments to divest or reallocate funds may still be useful and welcomed by investors but by divesting, you are no longer a stakeholder and no longer carry the weight of shareholder interest to help influence change.

Divestment could lead to stranded assets and may also impact a just transition. A credible transition plan to meet net-zero or other credible targets may be more feasible and impactful than divestment. Additionally, the IIGCC’s Net Zero Investment Framework (NZIF), a leading and first-of-its-kind investor framework, encourages investors to maintain investments in companies that have credible transition plans, with divestment only seen as a last resort. Through active engagement, investors can encourage progress against these plans.

<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>

Yes, disclosure on the degree to which Article 9 products are aligned with the Paris Agreement would be useful. However, the SFDR must specify a common methodology that products are expected to align with or FMPs will not be able to ensure comparability and the level of commitment in Article 9 products’ targets.

There are quite a few methodologies launched by various international organisations that can produce robust assessments but they all vary in focus and scope (for example, focusing on only quantitative indicators or more qualitative and quantitative approaches). For example, the EBRD has fully aligned its investments with the Paris agreement since January 2023 and developed a [methodology](https://www.ebrd.com/paris-agreement-methodology.pdf) that is both qualitative and quantitative in scope and covers mitigation and adaption measures.

There is also the [Paris Agreement Capital Transition Assessment (PACTA)](https://2degrees-investing.org/resource/pacta/), an open-source methodology that measures financial portfolios' alignment with various climate scenarios consistent with the Paris Agreement and has been used by thousands of financial institutions worldwide.

With that said, international consensus around metrics to assess the degree of Paris Alignment for financial products or entities is lacking, and therefore, the SFDR needs to ensure balance between robust disclosure around Paris Alignment and the necessity of comparability.

<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>

TYPE YOUR TEXT HERE

<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>

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<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>

TYPE YOUR TEXT HERE

<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>

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<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>

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<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>

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<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>

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<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>

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<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>

As mentioned in our responses to other questions on this consultation, a specific definition around “key environmental metrics” would first require looking at the quality of the data per metric, as well as feasibility in attaining that data. Without standardised and comparable reporting practices, there is a risk of underreporting or greenwashing around environmental metrics.

While greater disclosure requirements and clarity around specific definitions is needed to ensure transparency and comparability, there is a risk of underreporting or greenwashing data without companies having access to a standardised reporting mechanism. Metrics are key for comparability, identifying any exclusions, understanding material impacts, informing transition plans and tracking progress. Alignment here with the [newly released ISSB standards](https://www.ifrs.org/content/dam/ifrs/publications/pdf-standards-issb/english/2023/issued/part-a/issb-2023-a-ifrs-s2-climate-related-disclosures.pdf?bypass=on) on metrics and targets related to climate performance would be ideal.

<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>

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<ESMA\_QUESTION\_SFDR\_38>

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

<ESMA\_QUESTION\_SFDR\_39>

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<ESMA\_QUESTION\_SFDR\_39>

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

<ESMA\_QUESTION\_SFDR\_40>

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<ESMA\_QUESTION\_SFDR\_40>

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

<ESMA\_QUESTION\_SFDR\_41>

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<ESMA\_QUESTION\_SFDR\_41>

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

<ESMA\_QUESTION\_SFDR\_42>

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<ESMA\_QUESTION\_SFDR\_42>

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

<ESMA\_QUESTION\_SFDR\_43>

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<ESMA\_QUESTION\_SFDR\_43>

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