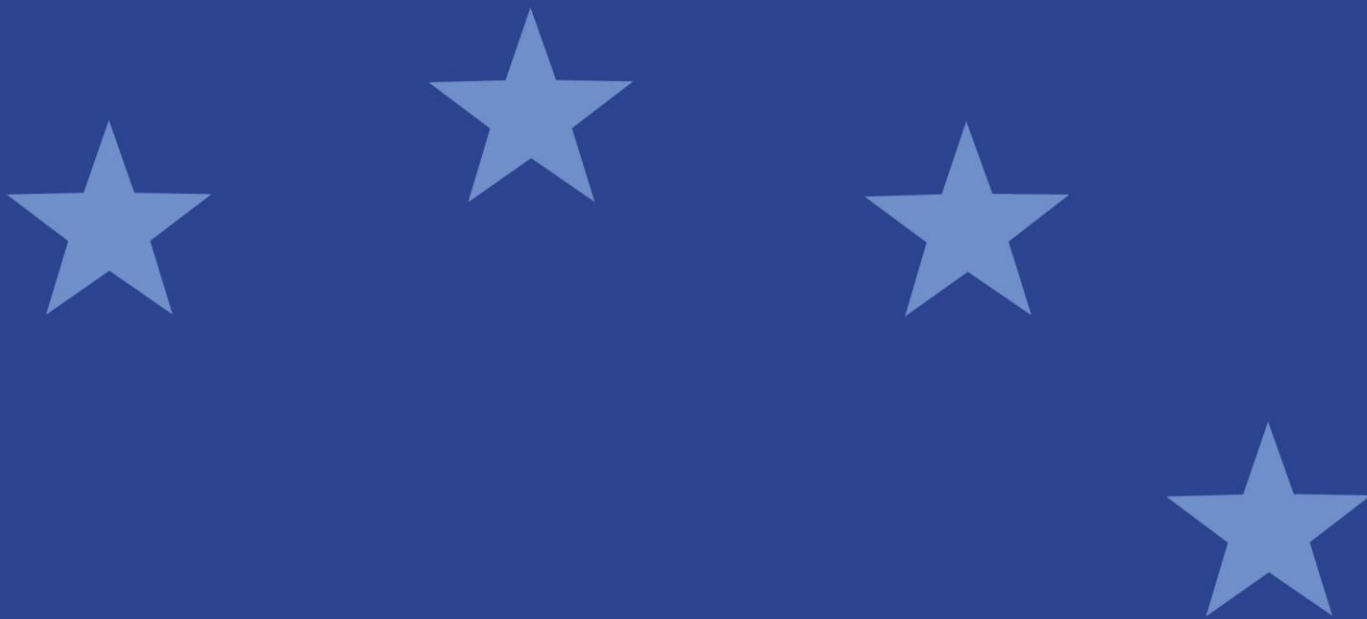


# Response form for the Joint Consultation Paper concerning Taxonomy-related sustainability disclo- sures





JOINT COMMITTEE OF THE EUROPEAN  
SUPERVISORY AUTHORITIES

## Responding to this paper

The European Supervisory Authorities (ESAs) welcome comments on this consultation paper setting out the proposed Regulatory Technical Standards (hereinafter “RTS”) on content and presentation of disclosures pursuant to Article 8(4), 9(6) and 11(5) of Regulation (EU) 2019/2088 (hereinafter Sustainable Finance Disclosure Regulation “SFDR”) and in particular on the specific questions summarised in Section 3 of the consultation paper under “Questions to stakeholders”.

Comments are most helpful if they:

- contain a clear rationale; and
- describe any alternatives the ESAs should consider.

When describing alternative approaches the ESAs encourage stakeholders to consider how the approach would achieve the aims of SFDR.

## Instructions

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

- Insert your responses to the questions in the Consultation Paper in the present response form.
- Please do not remove tags of the type <ESA\_QUESTION\_ESG\_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 response, name your response form according to the following convention: ESA\_ESG\_nameofrespondent\_RESPONSEFORM. For example, for a respondent named ABCD, the response form would be entitled ESA\_ESG\_ABCD\_RESPONSEFORM.
- The consultation paper is available on the websites of the three ESAs and the Joint Committee. Comments on this consultation paper can be sent using the response form, via the [ESMA website](#) under the heading ‘Your input - Consultations’ by 12 May 2021.
- Contributions not provided in the template for comments, or after the deadline will not be processed.

## Publication of responses

All contributions received will be published following the close of the consultation, unless you request otherwise in the respective field in the template for comments. 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 public 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 ESAs 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<sup>1</sup>. 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.

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<sup>1</sup> 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	Assoeuropea
Activity	Insurance and Pension
Are you representing an association?	<input checked="" type="checkbox"/>
Country/Region	Italy

## Introduction

***Please make your introductory comments below, if any:***

<ESA\_COMMENT\_ESG\_1>

Assoeuropea is an advocacy organization of the Italian pension funds. Our members cover 4 million members/beneficiaries and € 120 billion of assets. Assoeuropea thanks for the opportunity to comment on the Joint Consultation Paper concerning Taxonomy sustainability related disclosures. Assoeuropea reiterates the concern that disclosure towards members/beneficiaries of lorp's (and, more broadly, towards any consumer purchasing a financial product) should be simple and focused on the main features of the product (including Esg factors). Instead, the templates provided to the EU Commission on 4<sup>th</sup> February 2021 are complex and too long. They appear not easy to understand by members and in the end there is the risk that those to whom such information is directed will not be interested in reading. The SFDR does not take into account a proportionality principle for different financial entities which, instead, would be very useful for lorp's. Based on that, changes to the RTS following this consultation phase, should be as limited as possible and should not further increase their complexity.

Other concerns are related to the timetable of the RTS and to the availability of the data to feed RTS. While the approach followed by ESAs' to amend the soon to be finalised RTS to minimize duplication and complexity is deemed positive, it will cause a big pressure on lorp's to comply with from 1<sup>st</sup> January 2022. If a postponement of the entry into force and application of the RTS is not plausible/possible, at least a flexible and more principle-based approach in the early stage should be adopted. The delay should be provided also taking into account the fact that the taxonomy regulation is still a work in progress and the collection of data would not be an easy task, at least in the first phase of the application of the RTS.

<ESA\_COMMENT\_ESG\_1>

**Q1 : Do you have any views regarding the ESAs' proposed approach to amend the existing SFDR RTS instead of drafting a new set of draft RTS?**

<ESA\_QUESTION\_ESG\_1>

Assoeuropea agree on the proposed approach to amend the soon to be finalised RTS to minimize duplications and complexity. We also support the aim to define a single rulebook on sustainability disclosure instead of having different delegated acts. However, the choice of the ESAs' has an impact on the overall timetable expected for the finalization of the delegated acts envisaged by Regulation (EU) 2019/2088. As the ESAs' themselves recognize, they were not able to start the work on the amendments to the RTS until beginning 2021 and the delay will impact the release of the RTS. Financial entities would not have sufficient time to comply with the new requirements, given that the ESAs' expect to issue a final report with the amended RTS at the latest by early July 2021, the revised RTS will then be subjected to the scrutiny of the EU institutions and the delegated regulation is planned to apply from 1<sup>st</sup> January 2022.

The concerns raised by the compressed timetable match with those triggered by the lack of information to feed the disclosure as the work on Taxonomy is still under way and, when finalized, it will take some time for companies to comply with. Compressed timetables and lack of reliable information, at least in the first stage, are problematic for all financial entities, especially for lorp's. Occupational pension schemes are usually small entities which rely on a very restricted staff and small budgets: the compliance to the RTS in a squeezed time would be too burdensome. If a postponement of the entry into force and application of the RTS is not plausible/possible, at least a flexible and more principle-based approach in the early stage should be adopted.

<ESA\_QUESTION\_ESG\_1>

**Q2 : Do you have any views on the KPI for the disclosure of the extent to which investments are aligned with the taxonomy, which is based on the share of the taxonomy-aligned turnover, capital expenditure or operational expenditure of all underlying non-financial investee companies? Do you agree with that the same approach should apply to all investments made by a given financial product?**

<ESA\_QUESTION\_ESG\_2>

The formula for the computation of the KPI and the underlying assumptions do not seem very straightforward. The computation of the KPI implies a complex staff and it is based on information not easily accessible. While the same approach (in time and over time) for the computation of the KPI would help comparisons, it risks to not take into account the differences in data availability and economic activities so, at least in the first stage of application, financial market participants should be free to consider the most suitable KPI for each activity/investment in a non-financial undertaking investee company.

For lorp's investing in mutual funds, following a proportionality approach, some minimum thresholds under which this kind of investments should not be considered in the computation of the KPI should be fixed. In any case, it should be up to the fund manager to provide the lorp with the KPI of the fund in which it would invest.

<ESA\_QUESTION\_ESG\_2>

**Q3 : Do you have any views on the benefits and drawbacks of including specifically operational expenditure of underlying non-financial investee companies as one of the possible ways to calculate the KPI referred to in question 2?**

<ESA\_QUESTION\_ESG\_3>

TYPE YOUR TEXT HERE

<ESA\_QUESTION\_ESG\_3>

**Q4: The proposed KPI includes equity and debt instruments issued by financial and non-financial undertakings and real estate assets, do you agree that this could also be extended to derivatives such as contracts for differences?**

<ESA\_QUESTION\_ESG\_4>

Assoeuropea disagree on the inclusion of derivatives for the computation of the KPI. The formula is already complex and it is not appropriate to increase its level of complexity. Moreover, for Iorp's the use of derivatives is limited; derivatives are mainly used for hedging purposes and not to get a return. For these reasons, the KPI should only be limited to equity and debt instruments, though which Iorp's take a direct exposure on the financial and non-financial undertakings.

<ESA\_QUESTION\_ESG\_4>

**Q5: Is the use of "equities" and "debt instruments" sufficiently clear to capture relevant instruments issued by investee companies? If not, how could that be clarified? Are any specific valuation criteria necessary to ensure that the disclosures are comparable?**

<ESA\_QUESTION\_ESG\_5>

Yes, it is

<ESA\_QUESTION\_ESG\_5>

**Q6: Do you have any views about including all investments, including sovereign bonds and other assets that cannot be assessed for taxonomy-alignment, of the financial product in the denominator for the KPI?**

<ESA\_QUESTION\_ESG\_6>

Government bonds and other assets that cannot be assessed for taxonomy alignment should not be included in the denominator of the KPI. From a logical perspective the ratio should be computed only between fully comparable sets of data, to have a clear measure of the share of taxonomy-aligned investments held by the financial product. Additionally, for financial products largely invested in sovereign bonds, as is usually the case of Iorp's, the criterion proposed in the draft RTS seems penalizing, as they would appear as financial products not very much taxonomy-aligned. This is far from reality, which sees Iorp's as main characters of the ESG market. Considering the government bonds for the purpose of the KPI would reflect a misleading picture of the portfolios of financial products issued by Iorp's as a poor pro-environment investor. It could cause pressure on the boards of the occupational pension schemes to change the asset allocation of their investments in a direction not fully aligned to the interests of members/beneficiaries, while the Iorp2 directive requests the occupational pension schemes to invest their assets on a prudent basis, taking into account the interests of the members/beneficiaries.

<ESA\_QUESTION\_ESG\_6>

**Q7: Do you have any views on the statement of taxonomy compliance of the activities the financial product invests in and whether those statements should be subject to assessment by external or third parties?**

<ESA\_QUESTION\_ESG\_7>

While at first sight the statement could be seen as an assurance of more transparency, it really does not seem to add value to the information already provided to assess the taxonomy alignment of the financial product (KPI and graphical breakdown of the assets). Particularly in the first phase of application of the KPI, a self-certification disclosure mechanism seems more appropriate. In any case the statement should never be intended as mandatory.

It is not clear what entity would be considered as an external or third-party and what level of assurance this could provide to the members of Iorp's on Taxonomy compliance. In the end, the statement would most likely to be carried out by an advisor, adding extra costs to the pension plan. These costs would be

transferred on members/beneficiaries and, while adding no real value to them, would affect their final pension. For the case in which the assets of a financial product issued by an IORP are invested through asset managers, banks, insurance companies, other investment companies, on the basis of a mandate, a declaration provided by the subject in charge of the investment strategy should be accepted as a third party declaration. The reference to the assurance provided by an auditor should be deleted as too costly. In any case for IORP's with the internal audit function, the assurance provided by that body could be considered for this purpose.

<ESA\_QUESTION\_ESG\_7>

**Q8 : Do you have any views on the proposed periodic disclosures which mirror the proposals for pre-contractual amendments?**

<ESA\_QUESTION\_ESG\_8>

Assoeuropea agree on that as it will simplify the requirements for financial entities

<ESA\_QUESTION\_ESG\_8>

**Q9 : Do you have any views on the amended pre-contractual and periodic templates?**

<ESA\_QUESTION\_ESG\_9>

Disclosure towards members/beneficiaries of IORP's (and, more broadly, towards any consumer purchasing a financial product) should be simple and focused on the main features (included ESG factors) of the product. Instead, the templates provided to the EU Commission on 4<sup>th</sup> February 2021 are complex and too long. They are not easy to understand by members and in the end there is the risk that those to whom such information is directed will not be interested to read.

The SFDR does not take into account a proportionality principle for different financial entities which, instead, would be very useful for IORP's. Based on that, changes to the RTS following this consultation phase, should be as limited as possible and should not further increase their complexity. This would be useful both in terms of clear and adequate disclosure to members/beneficiaries of IORP's and to ease the compliance by IORP's and other financial entities.

The ESAs' could take the opportunity to clarify if, on the annex for pre-contractual and periodic reporting for the case in which a product has two or more sustainable investment options qualifying as a financial product referred to Art. 8 and Art. 9 of Regulation 2019/2088, there should be an annex for any investment option qualifying for Art. 8 and Art. 9 or all the information could be filled into a unique single document. Moreover, as regards art. 63 and 69 of the draft RTS further clarification could be provided on how to compare the performance of the product with the indexes requested.

<ESA\_QUESTION\_ESG\_9>

**Q10 : The draft RTS propose unified pre-contractual and periodic templates applicable to all Article 8 and 9 SFDR products (including Article 5 and 6 TR products which are a sub-set of Article 8 and 9 SFDR products). Do you believe it would be preferable to have separate pre-contractual and periodic templates for Article 5-6 TR products, instead of using the same template for all Article 8-9 SFDR products?**

<ESA\_QUESTION\_ESG\_10>

Assoeuropea agree with the unified pre-contractual and periodic templates applicable to all art. 8 and 9 SFDR products

<ESA\_QUESTION\_ESG\_10>

**Q11 : The draft RTS propose in the amended templates to identify whether products making sustainable investments do so according to the EU taxonomy. While this is done to clearly indicate whether Article 5 and 6 TR products (that make sustainable investments with environmental objectives) use the taxonomy, arguably this would have the effect of requiring Article 8 and**

**9 SFDR products making sustainable investments with social objectives to indicate that too. Do you agree with this proposal?**

<ESA\_QUESTION\_ESG\_11>  
TYPE YOUR TEXT HERE  
<ESA\_QUESTION\_ESG\_11>

**Q12 : Do you have any views regarding the preliminary impact assessments? Can you provide more granular examples of costs associated with the policy options?**

<ESA\_QUESTION\_ESG\_12>  
TYPE YOUR TEXT HERE  
<ESA\_QUESTION\_ESG\_12>