

Contribution ID: 8d47727d-12c1-4289-9ba6-454811567d92

Date: 16/10/2020 11:50:28

ESAs Survey on templates for Environmental and/or Social financial products under SFDR

Fields marked with * are mandatory.



JOINT COMMITTEE OF THE EUROPEAN SUPERVISORY AUTHORITIES

Introduction

The European Supervisory Authorities (ESAs) welcome comments on this survey setting out the details of the **presentation of the information** to be disclosed pursuant to Article 8(3), Article 9(5) and Article 11(4) of the Regulation (EU) 2019/2088 of the European Parliament and of the Council of 27 November 2019 on sustainability-related disclosures in the financial services (SFDR). This information concerns pre-contractual and periodic disclosures to be included in existing disclosures provided for under EU sectoral legislation and provided by, for example, AIFMs, UCITS management companies, insurance undertakings, IORPs or PEPP providers. The ESAs propose to standardise the disclosures by requiring the use of specific templates, recognising the need for standardisation of disclosures to promote comparability of different financial products in different Member States with respect to ESG information, in line with Recital 9 of the SFDR.

The colour of the font and of the template's background, as well as type of font to be used are not prescribed in the templates. These should be adapted by the financial market participants to fit the formatting of the underlying document to which the templates are integrated (prospectus, annual report, pre-enrolment disclosure for prospective pension scheme members, etc).

The final content of the templates is subject to the outcome of concurrent consumer testing exercise and the final report of the ESAs on the draft RTS under SFDR.

The consultation package includes:

- Three preliminary, **illustrative mock-ups** of pre-contractual and periodic disclosure templates of products promoting Environmental and/or Social (E/S) characteristics (under Article 8 and Article 11 of the SFDR). The templates for the disclosure of products with a sustainable investment objective (Article 9) are very similar to those for the products promoting E/S characteristics and have not been included in the on-line survey. **N.B. These mock-ups are purely illustrative for the purposes of gathering feedback on the presentation of information. The pre-contractual mock-up is presented in two variations: with and without icons, to gather feedback on the use of the icons. Please note that some of the sections of the templates (notably on "benchmarks", are not applicable for all products when not relevant - as defined in the draft RTS).**
- An on-line survey

The ESAs particularly invite comments on presentational aspects of the mock-ups as the content of the

mock-ups already reflects the current text of the draft RTS which were addressed in the recent public consultation on the on content, methodologies and presentation of disclosures under the SFDR that ran from 23 April until 1 September 2020.

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 key objectives of the SFDR regarding product disclosures, namely to prevent “greenwashing” and reduce information asymmetries for end investors.

Submission of responses

The consultation paper is available on the websites of the three ESAs and the Joint Committee. Comments must be sent using the EUSurvey by **16 October 2020**.

Contributions not provided in the EUSurvey tool 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 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) 2018/17253. 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.

About you

*Language of my contribution

*I am giving my contribution as

*First name

*Surname

Email (this won't be published)**Organisation name***255 character(s) maximum****Organisation size****Transparency register number***255 character(s) maximum*

Check if your organisation is on the transparency register (<http://ec.europa.eu/transparencyregister/public/homePage.do?redir=false&locale=en>). It's a voluntary database for organisations seeking to influence EU decision-making.

***Country of origin**

Please add your country of origin, or that of your organisation.

***Publication privacy settings**

The Commission will publish the responses to this public consultation. You can choose whether you would like your details to be made public or to remain anonymous.

 Anonymous

Only your type of respondent, country of origin and contribution will be published. All other personal details (name, organisation name and size, transparency register number) will not be published.

 Public

Your personal details (name, organisation name and size, transparency register number, country of origin) will be published with your contribution.

I agree with the personal data protection provisions (https://ec.europa.eu/info/law/better-regulation/specific-privacy-statement_en)

Survey - introduction

The illustrative mock-ups relate to disclosure documents for a fictitious exchange traded fund (ETF).

Most ETFs are index funds. This means that they usually replicate the index by holding the same securities in the same proportions as a certain stock market index. This product replicates a fictitious index, called TRXI World Fossil Fuel Free Index, which replicates the total market index TRXI World Index, but excludes from it companies that own solid fossil fuel reserves.

The three documents that you can download are illustrative mock-ups of ESG information from the following underlying documents:

- Prospectus of the ETF – which provides information before buying the product
- Annual report of the ETF – which provides information on the product for the last 12 months

The mock-ups are named as follows:

- Mock-up 1: pre-contractual disclosure for a product promoting Environmental or/and Social characteristics (with icons)
- Mock-up 2: pre-contractual disclosure for a product promoting Environmental or/and Social characteristics (without icons)
- Mock-up 3: periodic disclosure for a product promoting Environmental or/and Social characteristics (with icons)

Before answering the questions, please click on these three links to download the three illustrative mock-ups (PDF):

[Illustrative_mock-up_1_Pre-contractual_with_icons.pdf](#)

[Illustrative_mock-up_2_Pre-contractual_without_icons.pdf](#)

[Illustrative_mock-up_3_Periodic_with_icons.pdf](#)

Questions

***Q1. How useful is the highly standardised presentation of the information in this format?**

between 1 and 1 choices

- Useless
- Fairly useless
- Neither useless nor useful
- Fairly useful
- Very useful

Please explain:

The high standardization of the information in the format may be fairly useful for comparison purposes.

However, we are concerned by the potential effects of the new requirements on the perception of the ESG profiles by the members of pension funds, taking into account the overall financial disclosure (included ESG) already requested at national level. In some Member States (MS) Iorp's and personal pensions are already requested to disclose on the ESG profiles in the pre-contractual and periodic documents, using national frameworks; moreover Iorp2 directive will put even more focus on the ESG issues.

A risk of overlapping between SFDR and national requirements may not be excluded.

The new templates, together with the national requirement, risk feeding a perception of greater complexity of ESG investment compared to non-ESG ones. The feeling risks encouraging members (potential) to choose the latter, perceived as less complex and easy to understand because of the softer disclosure burden. This behaviour may be especially relevant where members have the legal right to choose the investment line when joining the scheme or to change it during the accumulation phase. If, in the end, the scope of the overall "EU green legislative package" is to further the environmental transition of the economy, the proposed rules (templates+contents) risk triggering a reverse effect. A fair balance between disclosure requirements, real disclosure needs of members (potential) and feasibility by financial counterparts should be defined; highly standardized templates by themselves are not sufficient to achieve the aforementioned fair balance.

***Q2.** More specifically, how useful is the presentation of the information with the use of icons as visual aids (in mock-up 1 and 3)?

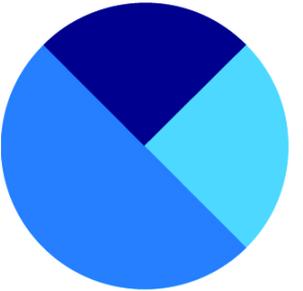
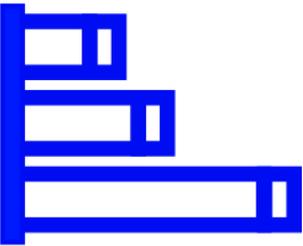
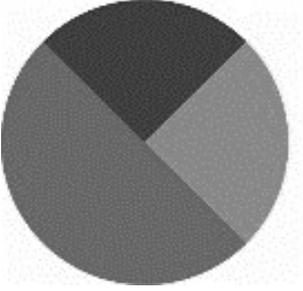
The pictures below show examples of the icons used in the templates.

between 1 and 1 choices

- Useless
- Fairly useless
- Neither useless nor useful
- Fairly useful
- Very useful

Examples of the icons used in mock-up 1 and 3



<p>5.jpg</p>  <p>()</p>	<p>6.jpg</p>  <p>()</p>	<p>ESG_additional_icons_hands-01.jpg</p>  <p>()</p>
<p>ESG_additional_icons_pie_chart-01.jpg</p>  <p>()</p>	<p>ESG_additional_icons_clock-01.jpg</p>  <p>()</p>	<p>ESG_additional_icons_bar_chart-01.jpg</p>  <p>()</p>
<p>3.jpg</p>  <p>()</p>		

Please explain:

Broadly we support the use of icons in the templates as visual aid to better understand information on disclosure. Moreover, the icons also ease the reading of the templates, encouraging the readers to go through all the details of the documents.

Taking into account that the SFDR requests the templates to be published in existing disclosures provided for under the EU sectorial legislations, Eiopa could evaluate the opportunity to advice EU Commission not to mandate the icons to use, instead to leave MS to define which icons to use after the assessment of the "EU icons" consistency with the sectorial frameworks in place at national level. Should a MS ascertain that the icons requested by EU regulation does not fit the national templates, it should be entitled to define different icons. The use of different icons should not undermine the purpose of comparability, as the sections of the disclosure templates would remain the same.

As regards the icons included in the mock-ups, sometimes they do not seem so aligned to the contents to explain and in other cases, the same icon is used for sections that are supposed to disclose different topics in different mock-ups. Though first and third mock-ups relate to different disclosure, pre-contractual the first and periodic the third, in order to increase clarity and avoid confusion, it could be useful to use the same or similar icons in different documents only when the information to provide is comparable in the two disclosures.

Finally, there does not seem to be a common criterion in the use of icons as in some cases they are used only for the titles of the sections while in other cases they are used also for the sub-titles.

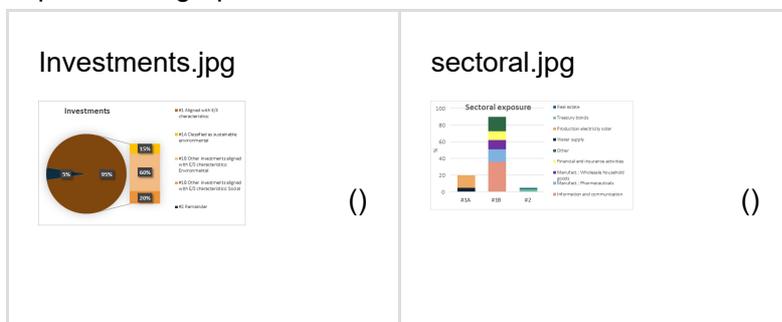
***Q3.** More specifically, how useful is the presentation of the information with the use of **graphs** as visual aids?

The graphs below are examples of the graphs used in the templates.

between 1 and 1 choices

- Useless
- Fairly useless
- Neither useless nor useful
- Fairly useful
- Very useful

Examples of the graphs used



Please explain:

Broadly we support the use of graphs in the templates as visual aid to better understand information on disclosure.

The first graph combines two different representations and its understanding may not be so immediate. To avoid possible misunderstanding and to have graphical continuity between the two elements of the graph in question, ESAs could evaluate the option to substitute the histogram with another pie to detail the sub-section of the sustainable investments.

Moreover, the labels of the first graph are too long and they could be shortened. Possible alternative labels could be: #1 Environmental/social characteristic; #1A Environmentally sustainable, #1B Environmental characteristics; #1B Social characteristics; #2 Other asset.

In any case, labels are not easy to understand as refer to the complex and unclear definitions of art. 8 and 9 of the SFDR.

***Q4.** More specifically, how useful is the presentation of the information with the use of **explanatory notes**, in the column at the right side of the document, which are presented on a grey background)?

The picture below shows an example of one of the explanatory notes used in the templates. between 1 and 1 choices

- Useless
- Fairly useless
- Neither useless nor useful
- Fairly useful
- Very useful

The category **#1 Aligned with E/S characteristics** includes any investment that is aligned with the characteristic:

- The **Subcategory #1A** covers investments that are qualified as sustainable. A sustainable investment means an investment in an economic activity that contributes to an environmental objective, measured for example by key resource efficiency indicators such as CO2 emissions, or the use of water, or an investment that contributes to a social objective, such as tackling inequality or that fosters social cohesion.

- The **sub-category #1B Other E/S characteristics** covers investments aligned with the environmental or social characteristics that **do not** meet the criteria of 'sustainable investment'.

Please explain:

Broadly we support the use of explanatory notes. We are concerned by the notes referring to the first graph which try to explain the items of pie and histogram. They refer strongly to the definitions of SFDR but, unless the reader knows the regulation, they do not seem easy to understand. It is especially true for the explanatory note of subcategory #1A that could be simplified by deleting the description of the potential environmental objectives. Taking into account the answer to Q3, the explanatory note of #1A could be formulated as: Environmentally sustainable: investments that contributes to environmental objectives. The environmental objectives pursued by the investment would be detailed directly within the disclosure of the financial product. The note of the sub-category #1B could be rephrased as follows: Environmental/Social characteristics: investments with environmental or social characteristics, different from those environmentally sustainable. The note #2 could be rephrased as follows: Other assets: other investments of the financial product. The explanatory note of the item #1A should remain the same. In any case, the difficult to clearly understand the difference between investments aligned with E/S characteristics and with an environmental objective, still remains in place.

Other explanatory notes could be added with reference to technical features of the investments. For example, there is a reference to the "best in class investment strategy" to select companies, Many readers may not be able to understand its meaning and an explanatory may be useful.

***Q5. Are there any presentational aspects that might make it hard to understand the sustainability-aspects of products?**

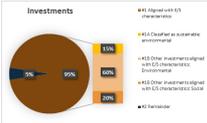
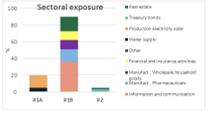
For example, with regards the distinction between the sub-categories of investments, namely between #1A and #1B?

The pictures below show examples of the use of #1A and #1B sub-categories in the templates.

between 1 and 1 choices

- Yes
- No
- Other

Illustrations of the distinction between sub-categories

<p>Investments.jpg</p>  <p>()</p>	<p>sectoral.jpg</p>  <p>()</p>	<p>_1.jpg</p> <p><i>The category #1 Aligned with E/S characteristics includes any investment that is aligned with the characteristic:</i></p> <ul style="list-style-type: none"> - The Subcategory #1A covers investments that are qualified as sustainable. A sustainable investment means an investment in an economic activity that contributes to an environmental objective, measured for example by key resource efficiency indicators such as CO2 emissions, or the use of water, or an investment that contributes to a social objective, such as tackling inequality or that fosters social cohesion. - The sub-category #1B Other E/S characteristics covers investments aligned with the environmental or social characteristics that do not meet the criteria of 'sustainable investment'. <p>()</p>
--	---	---

Please explain:

Unless the reader knows well the SFDR and EU Taxonomy, it seems difficult to understand the difference between an investment that contributes to an environmental objective and an investment aligned with environmental or social characteristics. The distinction is more "legal" than effective. We wonder if an in-depth and "legal" explanation of the difference may be really useful for the reader to access the ESG profile of the Iorp and personal pension. In our view the best way to deal with that distinction should be to keep things as simple as possible, try to focusing the attention of the reader more on the specific environmental/social features pursued by the pension scheme and less on the difference #1A vs. #1B. With that respect, ESAs should evaluate the opportunity to rethink the sections of the templates as the information filling within is not easy to understand and there are some overlapping within the different contents.

Q6. Do you have any other suggestions or comments to improve the presentation of these disclosure documents?

Even though the contents of the mock-ups are out of the scope of the survey and tacking into account that these used into the mock-ups refer to a fictitious financial product, in our view ESAs should further reflect not only on the structure of the templates but also, and expecially, on their contents. In fact, a clear understanding of the sustainability-aspects of the product depend not only from highly standardized templates but also, and expecially, from a simple and efficient display of the information.

In the mock-ups there are some overlapping information and in some cases the need to synthesize should be weighted with the need of clearly of the information. Moreover, ESAs should consider that in some Member States ESG disclosure requirements for Iorps and personal pension schemes are already in place and the risks of duplications may arise.

Eiopa could evaluate the opportunity to rethink the sections of the mock-ups to achieve a more efficient display of the SFDR disclosure requirements. Contents should avoid overlapping and keep contents as simple as possible. Moreover a better coordination with national provisions for ESG disclosure in place should be promoted to avoid duplications.

Q7. When the templates are presented via **digital media**, can you foresee any particular challenges? Can you suggest how these particular challenges could be overcome while retaining the core aspects of the standardised template format?

Useful links

Consultation Paper Draft RTS (<https://www.esma.europa.eu/press-news/consultations/joint-esa-consultation-esg-disclosures>) (<https://www.esma.europa.eu/press-news/consultations/joint-esa-consultation-esg-disclosures>)

Background Documents

Mock-up_1_Pre-contractual_with_icons

Mock-up_2_Pre-contractual_without_icons

Mock-up_3_Periodic_with_icons

Contact

Contact Form (</eusurvey/runner/contactform/ESGtemplatesSFDR>)