JOINT COMMITTEE OF THE EUROPEAN SUPERVISORY AUTHORITIES

Reply form

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

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	BNP PARIBAS GROUP EU Transparency Register Identification Number: 78787381113-69
Activity	Banking sector
Are you representing an association?	☐
Country/Region	France

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>

The four new mandatory Principal Adverse Impact indicators (PAIs) proposed reflect social issues of material concern. However their precise measurement is perturbed by a lack of clarity of the definitions used for some of them and by the introduction of PAIs not defined in the ESRS of the CSRD. We agree with the ESAs that there should be full alignment between indicators under the SFDR and the ESRS of the CSRD, so it is quite important that this principle is applied strictly across all new social PAIs.

Specific issues related to each new mandatory social PAI are detailed below:

- PAI 14. Amount of accumulated earnings in non-cooperative tax jurisdictions: "Amount of accumulated earnings at the end of the relevant financial year from investee companies where the total consolidated revenue on their balance sheet date for each of the last two consecutive financial years exceeds total of EUR 750M in jurisdictions that appear on the revised EU list of non-cooperative jurisdictions for tax purposes." This indicator is not part of the ESRS. In addition, while the EU provides a clear list of non-cooperative jurisdictions, companies do not always disclose their revenue earned by national jurisdiction. This will make tracking this information difficult "en masse" until country level revenue reporting becomes mandatory. If the EU wishes to add this indicator to the mandatory list in the ESRS, then it should also mandate disclosure by corporations accordingly. In the interim, the EU should accept "non available" mention in the absence of reported data.

- PAI 16. Exposure to companies involved in the cultivation and production of tobacco. This indicator is part of the ESRS ("Share of investments in investee companies involved in the cultivation and production of tobacco."). It should be relatively easy to measure as there are established ESG databases which track company revenue exposure to tobacco production. However specific guidance should be given as to how involvement should be measured (e.g. revenue) and the tolerance threshold for this indicator.

— PAI 17. Interference in the formation of trade unions or election of worker representatives. This indicator is mentioned under ESRS S1, as an example of a policy ("Share of investments in investee companies without commitments on their non-interference in the formation of trade unions or election of worker representatives."). As currently worded, this indicator would be very tricky to measure. We believe it should be removed. Defining what constitutes "interference" is challenging as this could include systematic and idiosyncratic factors and could have a time dimension as well. The term "commitment" is also not operationally meaningful.

— PAI 18. Share of employees earning less than the adequate wag. This information is required under ESRS S1-10("Average percentage of employees in investee companies earning less than the adequate wage."). Notwithstanding the difficulty in defining adequate wage at national level, there is typically no data available at corporate level to support compliance with this PAI as far as we are aware.

In summary, while we believe all of the issues which these new PAI are seeking to address (tax, pay equity, worker rights, tobacco) are material, we have strong reservations about making their tracking/reporting mandatory without further clarification of each indicator definition and further clarification of the acceptable use of estimates.

In addition, following the introduction of the "materiality assessment" and voluntary disclosure in the draft delegated act for the ESRS under the CSRD (currently under consultation until 7th July 2023), it is quite critical that clear guidance is adopted on how to address in the SFDR the different cases of no reporting by undertakings. Guidance should distinguish the cases where no reporting results from the materiality assessment from those where it results from no requirement to report (e.g. for non-EU undertakings not submitted to the CSDR and EU undertakings deciding not to report during the phase-in periods).

The ESAs explicit opposition for Financial Market Participants (FMPs) to use '0' or 'N/A' for SFDR related disclosures (as reminded during the public hearing), when their clients consider the information is not material, is not workable following the proposed modifications to the ESRS as initially published by EFRAG. **We therefore urge the ESAs to adapt the SFDR RTS to the materiality rules, extended phase-in and voluntary disclosure in the ESRS with relevant guidance as mentioned above.**

<ESMA_QUESTION_SFDR_1>

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

<ESMA_QUESTION_SFDR_2>

We do not consider that any other mandatory social PAIs should be introduced

<ESMA_QUESTION_SFDR_2>

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 consider that there is already a long list of voluntary / optional social indicators which is sufficient to cover the main social stakes. We do not see the need to add new ones.

<ESMA_QUESTION_SFDR_3>

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

<ESMA_QUESTION_SFDR_4>

Please see our response to Q.3.

<ESMA_QUESTION_SFDR_4>

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>

"UN Global Compact principles and Organisation for Economic Cooperation and Development (OECD) Guidelines for Multinational Enterprises" is replaced by "OECD Guidelines for Multinational Enterprises or the UN Guiding Principles (UNGP) including the principles and rights set out in the eight fundamental conventions identified in the ILO Declaration and the International Bill of Human Rights". This is a significant change as the number of principles to meet has increased from 10 to 31.

Therefore it is quite challenging to capture all data covered by the UNGP and disclosing PAIs 10 & 11 accordingly could lead to low results and thus non relevant information for end-investors.

<ESMA_QUESTION_SFDR_5>

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 do not recommend that social mandatory indicators are applied for the entity in charge of the management of the real estate assets the FMP invested in.

<ESMA_QUESTION_SFDR_6>

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>

We consider that both definitions should be aligned. As a general rule, we strongly support greater consistency and alignment, where possible and relevant, between the SFDR PAI indicators and the EU Taxonomy criteria.

We also recommend that the definition of PAI 22 of"inefficient asset" is adjusted in order to align with the EU Taxonomy criteria applicable to the DNSH of the climate change mitigation objective (Section 7.7 'Acquisition and ownership of building') under the climate change adaptation objective.

Under such a change, a building built before 31 December 2020 would qualify as 'inefficient real estate asset' if it meets the two cumulative conditions: (a) the building has an Energy performance certificate (EPC) below C; and (b) the building is not within the top 30% of the national or regional building stock expressed as operational primary energy demand (PED) and demonstrated by adequate evidence.

<ESMA_QUESTION_SFDR_7>

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>

We welcome the clarification provided by November 2022 ESAs Q&A on how the current value of investment should be determined at the end of each quarter.

<ESMA_QUESTION_SFDR_8>

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

<ESMA_QUESTION_SFDR_9>

We welcome the efforts made by the ESAs to extend and clarify the formulae suggested in Annex I to calculate PAI indicators.

Globally, we agree on the proposal to have total assets at the denominator for the calculation of the PAI, except for a limited number of PAIs (5. Share of non-renewable energy consumption and production; 6. Energy consumption intensity per high impact climate sector; 12. Gender pay gap between female and male employees; 13. Management and supervisory board gender diversity), in order to avoid any risk of dilution of PAI or possible greenwashing.

For such PAIs, **SFDR RTS should clearly allow FMPs to rebase the denominator by assets or exposure of 'eligible' and covered instruments. In that case, FMPs should be transparent on the use of eligible assets** (categories of exposures defined by the ESAs such as corporates, sovereigns and supranationals and real estate assets**) in the denominator instead of all total assets and complement the disclosure with the percentage of eligible assets to total assets.**

For detailed comments on each PAI, please refer to our response to Question 10.

<ESMA_QUESTION_SFDR_9>

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>

First, for PAIs referring to **Scope 3 GHG emissions (PAIs 1,2,3) -** Where data is disclosed, typically it is done so inconsistently (e.g. with all 17 Scope 3 types not filled by individual entities). All of these factors could distort reporting figures and make them difficult to interpret by market participants independently and in reference to other asset managers. Data is very rarely disclosed and estimates vary dramatically across data vendors.

Second, we believe that some guidance or modifications would be helpful for the following PAIs:

- The value chain to be considered with regards PAI 4 (Exposure to companies active in the fossil fuel sector) and PAI 15 (Exposure to controversial weapons) should be clarified. Indeed, it is unclear if companies not directly active but present in the value chain of fossil fuel companies (i.e. suppliers) should also be taken into account. The same applies to controversial weapons.
- Clarity on which pollutants should be considerd for PAI 8 and 9.
- Regarding PAI 11, clarity on which processes and compliance mechanisms would be sufficient in order for a company to be considered not in violation of this PAI. Also, it is unclear whether environmental norms should be considered as part of the assessment.
- Regarding PAI 16 (Investee countries subject to social violations), it would be useful that Financial Market Participants be provided with the list of countries which the EU considers are vilating the social standards. Or failing a country list, a list of clear (and ideally objectively measurable) criteria which a sovereign needs to meet in order to be considered not in violation. Moreover, the PAI should require to disclose the share of investments rather than the number of countries subject to social violations, in order to provide more consistency to the indicator and ultimately improve comparability.
- Regarding PAI 47 (rate of recordable work-related injuries), we believe that the use of the company's revenue amount in the denominator is not relevant; indeed the work-related injuries are not directly driven by revenues . It may be more relevant to chose the total employees number as denominator.

Overall we think it will be important for mandatory reporting under SFDR to align with mandatory reporting under CSDR. Without proper disclosure of required data from companies, FMPs will be required to report data with very low disclosure rates in some cases and/or rely on estimated data. **And in the latter case (estimates), more clarity from regulators would be appreciated on their permissible use relating to PAIs.**

<ESMA_QUESTION_SFDR_10>

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, we do not 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. It appears that this approach is not even possible for some PAI (PAI 7 – Energy consumption intensity per high impact climate sector / PAI 10 – Hazardous rate ratio or PAI 11- Violations of OECD Guidelines or the UN Guiding Principles for instance), or controversies.

As a counterproposal, we believe that **the key information that should be disclosed is the coverage rate, possibly also including a limited option field to indicate whether the information relies on**

disclosed data, estimates or both. Indeed, even though this coverage rate should progressively increase to reach ultimately 100%, the operational reality today is very different and disclosing the coverage rate is key to foster transparency and ensure a better understanding of the PAI by consumers and users of the declaration.

<ESMA_QUESTION_SFDR_11>

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>

As already mentioned in response to Question 9, we agree that the approach favored by the ESAS (§27) to use the 'current value of all investments' for the purpose of the denominators in the various PAI calculations, is relevant for most PAIs. However, we consider that this proposal is not relevantfor all the PAIs. **For a limited number of PAIs** (5-6-12-13), in order to avoid any risk of dilution of the information conveyed by the PAI or possible greenwashing, **the SFDR RTS should clearly allow FMPs to rebase the denominator with only 'eligible' assets (i.e. investments in the particular type of entity or real estate asset). In that case, FMPs should be transparent and complement the disclosure with the percentage of eligible assets to all investments.**

In addition, it is necessary to indicate clearly in the reviewed SFDR RTS that "all investments" should be defined as '**Net Assets', i.e. assets minus liabilities**, in particular for the derivatives that are considered to be included in the denominator as well.

<ESMA_QUESTION_SFDR_12>

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>

We globally agree with the ESAs approach in §32, meaning that a non available information from a non ESRS investee company does not have to be taken ito account in the PAI calculation :

" In order to bring some clarity to this situation and in order to align with the CSRD's draft ESRS, the ESAs propose to clarify in the normative text that the contribution of investee companies'value chains to the PAIs should be considered where the investee company is reporting impacts in its value chain according to the ESRS under its own materiality assessment performed in accordance with the ESRS. ***Financial market participants should include information on the value chains of investee companies***

***that are not reporting under the ESRS** where that information is readily available, e.g. in the public reporting of those investee companies. The consequence of that proposal is that **if the investee company is not reporting its value chain's adverse impacts under the ESRS or this is disclosed in other reporting, then those do not need to be taken into account for the PAI calculations.** However, an exception to this principle would be indicators 1-3, 15 and 18 in Table 1 since they require Scope 3 GHG emissions (i.e. the emissions from the value chain) in all cases".*

This principle should be enriched with the possibility to use estimates when the FMP thinks it is necessary.

<ESMA_QUESTION_SFDR_13>

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>

1. Role of derivatives in the economy

BNPP is committed to supporting the transition towards a more sustainable economy and recognises that derivatives have a critical role to play in achieving such transition. We welcome this Consultation Paper which reiterates the role of derivatives in the sustainable economy and aims to clarify the methodologies to take them into account in investors' ESG disclosures.

While derivatives can generally be considered to be a more indirect form of investment that does not provide direct financing to companies (such as in primary markets only), it is still necessary to consider how they contribute to the formation of the companies' cost of capital (i.e. cost that a company will have to pay when it will need financing through debt or equity issuances) through the secondary market activity, thereby influencing corporates' future decisions making.As reiterated in the FCA CP 22/20 October 2022 on SDR, there are 3 main channels by which an investor may contribute to positive outcomes for the environment and/or society or influence corporate behaviour: (i) engaging (with or without having to own shares), (ii) sharing corporates' business risk & modifying the cost of capital (via changing the amount of capital available at a given cost) and (iii) funding (issuance in the primary market).

Derivatives have more of the second type of impact. This type of impact, which is often dismissed in sustainable discussions, is a very relevant and strong method of influence and higher in intensity than holding of physical shares.

2. Regarding the PAI proposals

We have the following comments on the approach that we recommend for the treatment of derivatives in the PAIs:

- Scope of derivatives: as per above, what needs to be measured is the exposure of the investor to a given company's equity and debt. As such, derivatives that must be included in PAI numerator are only those with equity and debt underlyings.

- Delta: we welcome the consideration of derivatives in the numerator of the PAIs as an investment decision measured according to their equivalent position in the underlying asset, also called Delta. This is consistent with the recommendation of the PSF and with our response to Question 7 to the ESMA Consultation on "Guidelines on funds' names using ESG or sustainability-related terms" dated 18 November 2022 relating to the treatment of derivatives for calculating the Sustainable Investment ("SI") thresholds. In that respect, we advocate for a consistent metric across the three ratios (PAI, Taxonomy and SI).

- Long/short netting: we welcome the inclusion in the numerator of the PAIs of long and short derivatives positions. In order to embrace the full economic exposure on a given issuer, both the amount of risk carried out by long and short positions must be reflected for their full value. We welcome the ESAs reiterating this economic reality that long and short should be netted at the level of an individual counterpart. We are in the view that unfloored metrics are consistent with the mathematical logic and provide full information on both amounts of risk carried by derivatives, long and short positions. However further consideration is needed to assess the impacts of a floor/no floor.

- Physical investment: Regarding the option for FMPs to disregard derivatives if they cannot show that they result in a physical investment in the underlying asset, we would disagree with this criterion. The direct ownership of an asset is not a necessary criterion to determine impacts. Therefore such criterion is also irrelevant to capture investor's impacts when using derivatives. Such principle applicable to the information on PAIs should equally be applied consistently to the other indicators (proportion of the Sustainable Investments of a financial product, proportion of Taxonomy-aligned investments of a financial product).

<ESMA_QUESTION_SFDR_14>

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>

In our view, the priority is to ensure consistency in the treatment of the derivatives across all ratios (i.e. PAIs, proportion of SI and alignment with the Taxonomy). Indeed, inconsistent treatment of derivatives within SFDR would be highly confusing and would have detrimental consequences on the EU derivatives market. As per above, it ignores the role of derivatives to foster investments by providing companies with a reduction in their cost of capital and market risk tailored to their risk appetite and profile, and/or by opening them access to wider markets and investment opportunities. It also ignores the major role that derivatives play for retail investors in helping them to participate to the equity market via capital protected products.

We therefore urge the ESAs to revise their proposals regarding Taxonomy and SI KPIs consistently with our recommendations for PAIs: numerator to include both long and short derivative positions linked to companies'debt and equity underlyings measured by their delta; impacts of floor; with regards to the denominator, use of net assets.

Timeline for effective implementation should also be properly calibrated to reflect the adaptations it will require for FMPs. Additional consultations on technical aspects should allow to define more precisely operationalization of this treatment and associated timeline.
<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>

As per Question 14 and 15, companies are the actors of the real economy and capable of ESG assessments; only derivatives which underlyings are companies' equity and debt should be included.

<ESMA_QUESTION_SFDR_16>

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

<ESMA_QUESTION_SFDR_17>

ESAs' assessment highlights that, under SFDR :" the definition of "sustainable investment" leaves significant discretion to Financial Market Participants (FMPs) in how they assess the requirements an investment has to meet to qualify as sustainable and how to disclose it. Compliance with the DNSH principle also leaves room for discretion: (i) financial products have to describe how they "take PAI indicators into account" to demonstrate that their investments respect the DNSH principle; (ii) due to SFDR being a disclosure framework, FMPs 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."

We do agree on the fact that DNSH frameworks for the definition of Sustainable Investments are not easily comparable.

However, we think that the DNSH topic should not be considered separately from the Sustainable Investments topic (as defined in Article 2.17 under the SFDR). As such, we think that the issues highlighted in the ESA's assessment, that is, (i) comparability between asset managers and (ii) articulation with the framework of the EU Taxonomy, should be considered at the level of the Sustainable Investment concept and not at the sub-level of the DNSH framework

To solve the issue of comparability we believe that a simple but effective solution would be to require FMPs to disclose in **one unique page on their website a description of their Sustainable Investments methodology to be applied to all their products.**

This page should have the following features (see also our response to Q21):

1. A summary flowchart illustrating the decision tree that issuers must go through for the identification of Sustainable Investments . This flowchart should detail the various inclusion gates (i.e. criteria to validate the "positive contribution to an Environmental or Social objective" step), the exclusion gates (i.e. the DNSH step and the Governance step).
2. A summary of the key points of the methodology: (i) asset classes covered, (ii) whether it is binary (pass/fail) at company-level or revenue transparency, (iii) data sources
3. A subsequent explanation of each gate and test being applied and how they relate to each other (i.e. whether they are cumulative or not).
4. On a common set of market indices, a quantitative disclosure of the proportion of Sustainable Investments calculated by applying the methodology of the manager on each indice (i.e. MSCI ACWI, MSCI Europe, S&P 500, CAC 40, etc. etc.),thus providing references for benchmark purposes.

Such a disclosure should not be requested in the precontractual template of each fund but in a single website document to rationalize and simplify the updating process when relevant. If the disclosure is made in the precontractual templates, any change in the methodology would require a reproduction of all templates which, as they are part of the prospectus, must follow the prospectus governance: this would create unnecessary workload for regulators and significantly slow down the ability of market participants to adapt their methodologies.

Accordingly, we fully support the option of "Status Quo".

<ESMA_QUESTION_SFDR_17>

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>

The mandatory use of PAIs as quantitative DNSH thresholds, proposed in the second ESAs option related to "More specific disclosures", should be avoided. If these were to be applied as exclusionary thresholds, it would have the effect of bringing the investible universe of Sustainable Investments for most companies to zero (or close to it), making the construction of Article 9 products (which need to maintain 100% SI exposure) practically unworkable.

For instance, very few companies pass all the PAIs. Also, based on our research so far, we have noted that the failure rate of companies when measured against a given PAI can exceed 90% depending on the interpretation of the PAI language (e.g. PAI 11).

Additionally, some PAIs (e.g. those requiring the existence of a policy) bias against small cap companies which typically lack the resources to develop and enforce various policy types. Moreover, we also do not believe that any PAI should be considered material enough to justify exclusion of a company from portfolios.

More relevant to assert consideration and mitigation of PAIs would be the "Status Quo" option which allows PAIs to be considered in other ways than strictly quantitative . This is more in keeping with the spirit of the PAIs which we consider to be indicating material (principal) adverse impacts but avoids strict adherence to metrics which in some cases are rarely reported by companies (e.g. scope 3 GHG emissions; gender pay gap) or are difficult to measure precisely (e.g. PAI 11).

<ESMA_QUESTION_SFDR_18>

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>

Allowing companies aligned to the EU Taxonomy to benefit from an "automatic pass" of the SI environmental DNSH, the third alternative proposed by the ESAS called "safe harbour", would be helpful.However, practical implementation seems to bring lots of complexity as the methodologies used for each DNSH may not be the same (at activity level for Taxonomy and at entity level for SFDR). The complexity created by the proposed optional safe harbour for environmental DNSH and the absence of social taxonomy would outweight its benefits, ultimately leading to further confusion for consumers. In these conditions, it is essential that this approach remains optional without any ambiguity.

<ESMA_QUESTION_SFDR_19>

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 it is premature to anticipate what would be the best long term approach or to agree with the longer term view of the ESAs** that, if two parallel concepts of sustainability are retained, the Taxonomy TSCs should form the basis of DNSH assessments. FMPs and regulators need time to experiment the two existing DNSH frameworks, the incoming Taxonomy (Technical screening criteria, DNSH and Minimul Social Safeguard) for the four additional environmental objectives, and the role of the minimum social safeguards in the EU Taxonomy Regulation and SFDR.

<ESMA_QUESTION_SFDR_20>

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>

Please refert to our response to Q.17.

<ESMA_QUESTION_SFDR_21>

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>

Globally we consider that this section on decarbonisation is going into the right direction, provided the requirement is clearly limited to products that have GHG emission reduction targets. However sufficient flexibility should be left to FMPs at this stage for the methodology used. In addition the disclosure requirement regarding the way the target will be achieved (as proposed in the consultation paper) should be simplified.

The regulatory requirement needs to explicitly allow to use a combination of factors (a, b, c) to achieve the reduction in GHG emissions, knowing that it is not possible to attribute ex post the GHG reduction target to a single factor. The regulatory requirement should allow as well the possibility to disclose another approach under a new (d) factor “other”. For instance, we cannot quantitatively measure the impact of engagement/stewarship on the emission reduction targets.

<ESMA_QUESTION_SFDR_22>

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>

We agree on the proposal to provide a hyperlink, provided that such requirement is limited to passive products tracking PAB/CTB indices.

<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>

We agree that this proposal of 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 have adopted and duly execute a convincing transition plan or through active ownership) may be relevant. However, this may be hard to assess as it is not easy to isolate if the reduction is achieved through one lever or the other; most of the time, this is the result of a combination of actions.

<ESMA_QUESTION_SFDR_24>

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>

Today there is no clear agreement on methodologies to measure the degree of Paris Alignment Therefore this disclosure should not be made mandatory until one single methodology has been identified for application by all FMPs.

The Net Zero Asset Managers initiative NZAMI approach that BNP PAM is using, which consists in qualifying companies under different categories of alignment based on their level of carbon emission reduction ambition (companies having achieved Net Zero emissions, the one that are aligned with a pathway consistent with the goal, the one that are aligning and those that are not aligned) might be a better option than disclosing the Implied Temperature Rise ("ITR") of a fund. While such approach still relies on ITR measurement for categorization of companies, the different categories should be less volatile when compared across vendors.

<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>

As already mentioned in our responses to Q.9 and Q.12, we agree that the proposed approach to require that the target is calculated for all investments of the financial product may be relevant for some targets, for sake of comparison between products. However, we consider that this proposal is not appropriate for all the targets and may generate some risk of dilution or possible greenwashing. Accordingly it would make more sense for some products to calculate this ratio by using 'eligible assets' with disclosure of the percentage of eligible assets to all investments.

<ESMA_QUESTION_SFDR_26>

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 believe that the Global GHG Accounting and Reporting Standard for the Financial Industry developed by PCAF should not be required as the only standard to be used on a mandatory basis for the disclosures.

We think that the mandatory use of PCAF is premature. **ESAs should allow FMPs, for a transitional period, the flexibility to use either PCAF on a voluntary basis for financed GHG emissions reduction targets or any other standard of their choice**.

On the longer term, we strongly believe that, in order to avoid any litigation related to greenwashing, **FMPs should use only 'official' methodologies** that should be set by official authorities (standard setters, regulators or authorities with mandates from regulators at European level and/or international level…). EFRAG for instance could help in that matter. **Only an official and documented methodology can be imposed as mandatory.**

<ESMA_QUESTION_SFDR_27>

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>

From a general perspective, we agree with this approach. We consider that the split between financed emissions, financed removals and use of carbon credits is a real need to avoid green washing. Companies under CSRD are required to report separately on their gross GHG emissions, GHG removals and use of carbon credits according to ESRS reporting requirements. We welcome that ISSB recommends the same approach for IFRS disclosure standards (S1 and S2).

However this approach can be retained under the SFDR only if this information is available from corporates both submitted to and out of the scope of the CSRD. As long as this availability is not guaranteed, this requirement should not be introduced in the templates.

<ESMA_QUESTION_SFDR_28>

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>

Today targets are only determined at entity level with no allocation at fund level. Having consistency between the product targets and the entity-level targets would require significant developments. Indeed, targets need to be defined at sector level, and it can be very complex when a company runs its activity in many different sectors. Intermediary targets can also be very heterogeneous, depending on the entities and the sectors.

In addition, credible and verified transition plans of EU corporates will not be available before 2025; they will be published between 2025 and 2029, depending on the size and nature of the corporate. Given the absence of a clear articulation between the different European ESG regulations (both in terms of content, materiality assessment rules, scope and calendar), we believe it is premature to add complex disclosure on the consistency between the product targets and the financial market participants entity-level targets and transition plan for climate change mitigation.

Lastly, it is key that information delivered to end-investors remains simple and does not generate any form of confusion for them. Approximative or incomplete disclosures relating to consistency would not bring any added-value to the end investors.

Providing disclosures regarding the consistency between the product targets and the financial market participants entity-level targets and transition plan for climate change mitigation should thus remain at the discretion of FMPs and should not be requested on a mandatory basis.

<ESMA_QUESTION_SFDR_29>

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>

We believe that the dashboard is useful to provide a view of the key elements given the size of the template and the quantity of information it holds that make it unworkable.

However, simplification of the templates and of the concepts is of utmost importance for retail investors. In that perspective, **there are a few elements that need to be simplified in the dashboard:**

- **Remove the split between Environmental (E) and Social (S) characteristics**: in the vast majority of the instances, the promotion of extra-financial characteristics is achieved through different layers of extra-financial constraints: baseline exclusions, on top of which come a constraint based on ESG scores (either universe reduction or portfolio score improvement with regards to the benchmark), on top of which is implemented an engagement policy. We believe that the split between E or S will not be relevant for the overwhelming majority of the cases as the approaches implemented by asset managers or insurer are agnostic from an extrafinancial perspective. Thus, the E vs S split is artificial and we do not think that the benefit of the additional information outweighs the downsides of the additional conceptual complexity of the template.
- **Remove the minimum of E/S characteristics which is misleading for retail clients** (we propose possible scenarios in our answer to Q.33)
- **Remove the curly bracket defining a relationship between Q (Minimum % of sustainable investments) and R (Minimum % of taxonomy aligned investments)** as it presupposes that R is included in Q which is not the case as highlighted in paragraph 44 of the consultation paper. Cf. Question 33.

- **For the Article 9 template, a tickbox should be added to clarify the reason why the fund is Article 9, with two possibilities: either because the product tracks a PAB/CTB index or because it only invests in sustainable investments.**

<ESMA_QUESTION_SFDR_30>

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>

We believe that the templates are highly useful to standardize the publication of extra-financial information for each financial product and this greatly simplifies the comparison exercise. **However, we think that, in their current state, the templates are still beyond the analytical capabilities of most retail investors. Most importantly, the current format and wording lead to diverging interpretations by National Competent Authorities, which creates discrepancies within the European market.**

We are attaching a markup version of the templates with our suggestions and explanatory comments. Our proposals can be summarized as follows :

1. **Less ratios**: together with the deletion of the "asset allocation tree", which we strongly support (see our answer to question 33 for more details), we think that some ratios introduced in the level 2 texts should be discarded as what they bring an additional complexity that far outweighs the potential benefits in terms of clarity. In a nutshell, we think that the whole regulatory framework should align the concepts it uses across regulations. SFDR should stick to the concepts that are defined in the Sustainability Preferences of the MIFID II/IDD amendments, namely the consideration of PAIs, the proportion of Sustainable Investments and the proportion of Taxonomy-aligned investments. More details in our answer to question 33.
2. **Better articulation between the minimum proportion and the spot values**: in their current form, the templates are not implemented in an harmonized manner across European jurisdictions, which further complexifies an already complex topic, bringing it further away from retail investors. We believe that the **following points should be confirmed**:
    - **The regulation does not impose to take minimum commitments on any SFDR indicator in a mandatory manner**: SFDR being a disclosure regulation, FMPs should be free to take minimum commitments or not. In addition, the fact that there is no "minimum commitment" on a KPI does not mean that the fund will not invest in securities contributing to the said KPI but simply that the fund will not seek to invest predominantly in those securities (e.g. we should be able to take no commitment on EU Taxonomy while still being allowed to invest in stocks with a non-null Taxonomy

proportion). We should be able to disclose "0% commitment" on any or all the indicators while not preventing the product to hold assets complying with the criteria of the indicator.

- **The regulation does not require FMPs to take sub-commitments: we can commit on a minimum of Sustainable Investments only, without committing on the sub elements (Taxo, non-Taxo, S)**
- **Sub-commitments can be disclosed at 0% to signal that there is no intentionnality to make such investments, without banning them from the portfolio**: e.g. we can in practise have EU-Taxonomy aligned investments in a fund, without committing to a minimum percentage. There are two main reasons for this, a technical one and a matter of principle.
    - ➢ **The technical reason** is that managing ratios which are encapsulated within one another is complex. Such a requirement will lead to a reduction in commitments across the board, as we would need to fill two or more conditions for each stock when the portfolio need to change (in our example, a sufficient overall taxonomy alignment and also sufficient alignment on the sub-elements of the Taxonomy on which a commitment has been made). Still, the absence of commitment on the sub-components of the Taxonomy does not imply that the portfolio will not have any, but simply that the portfolio will be agnostic on the breakdown of its Taxonomy pocket. Ex-post reporting should of course be published regardless of the commitments for the sake of transparency. Lastly, and to cover the extreme case, it is of course not possible to breakdown an overall commitment into a sum of the sub-components (e.g. that min Taxo-nuclear + min Taxo-gas + min Taxo-others = overall min Taxo), as in this case, even the slightest change in the markets would immediately trigger a breach on the sub-components.
    - ➢ **The matter of principle** is that, currently, when we take a commitment to invest a minimum share of a fund's assets in a geographical zone, say Europe, we are not required to commit to minimum holding in the sub-geographies of the zone (in our example, we do not take any minimum commitment to invest in the individual countries of the zone). This does not prevent us to clarify the breakdown in ex-post reporting, but in the ex-ante positioning, the only commitment is on one ratio. There is no reason that, for extra-financial ratios, this would be different.
- **We believe however that ex-post reporting should be kept granular and precise, independently from the ex-ante commitments** on which the product is positioned (e.g. we should still report on the percentage of Sustainable Investments even if we have a 0% commitment on this indicator).

3. **Less repetitions**: the templates, when filled, are already very long. We propose a revamping of their structure to ensure that information is only written once, making their reading simpler and shorter. See our markup version of the template for moredetails.

4. **Removal of the second graph on the the share of EU Taxonomy investments excluding sovereign bonds** from the template of precontractual disclosures.

Finally and most impotantly, we would like to highlight that, in order **to increase comparability, we support the reintroduction of the reference universe used for the extra financial analysis**. SFDR being a disclosure regulation, it strongly relies on proprietary methodologies. While we support the use of proprietary methodologies as they bring convictions and innovation on the market, they are difficult to compare. For retail investors, it can be confusing as, when comparing two funds with the same given percentage of Sustainable Investments, there is no way of telling which one is the most demanding. **Therefore, for the actively managed funds, we strongly encourage the disclosures to reintegrate the notion of comparison benchmark to compare the fund (as for financial performance).** As such, we propose that, for actively managed funds, the periodic report template requires the disclosure of the percentages of Sustainable Investments and Taxonomy (of course, not E/S characteristics as it is not an intrinsic characteristic of the issuer so it can't be computed on a benchmark) both in the fund and in the comparison benchmark or reference universe. There might be circumstances in which this is not possible, in which case, an explanation should be required.

<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 have several suggestions to simplify and clarify the templates to make them more accessible to retail clients. We have provided a markup version of the templates, with wording suggestions and comments.

Our <u>general suggestions</u> can be summarized as follows:

- A proposal to reorganize the structure of the templates so as to bring together pieces of information that cover the same concepts but are scattered throughout the proposed version .
- A simplification of the ratios in the Precontractual Templates – in particular, the ratios with commitments should be aligned with the ESG preferences (i.e. Sustainable Investments and EU Taxonomy). The other ratios are confusing (see Q33) and should be removed.
- Changes in the wording to:
  - Either clarify the questions to make them easier to grasp for retail investors,
  - Or clarify the guidelines to answering the questions to foster the harmonization of interpretations by national regulators, based on our experience of different requirements provided in different jurisdictions.

We also suggest for **<u>Article 8 pre-contractual template</u>** to adopt the following structure:

- **What are the environmental and/or social characteristics of this product?**

- How do you measure how each of the environmental or social characteristics are met?
- How does the use of derivatives contribute to the promotion of environmental or social characteristics?
- Which investments are not promoting the product's environmental or social characteristics, what is their purpose and are there any minimum environmental or social safeguards?

  Does this product consider the most significant negative impacts of its investments on the environment and society (principal adverse impacts)?

- **Does this product have a greenhouse gas (GHG) emission reduction target?**
- **What investment strategy does this product follow?**
  - What are the binding elements of the investment strategy regarding the environmental or social characteristics of the product?
  - What is the committed minimum rate of reduction of investments according to the investments strategy?
  - How is it assessed whether the companies which are invested in follow good governance practices, such as tax compliance or employee matters?

What is the asset allocation planned for this product?

- This product includes a minimum of [x]% sustainable investments. What is the methodology used to qualify investments as Sustainable?
- With regards to sustainable investments, how do they not cause significant harm to any environmental or social objective?

What is the minimum proportion of EU Taxonomy investments?

- Does the product commit to investing in fossil gas and/or nuclear energy related activities that comply with the EU Taxonomy?
- What is the minimum share of investments in transitional and enabling activities?

- **Is a specific index used as a reference benchmark and how is this index monitored to ensure consistency with the environmental and/or social characteristics of the product?**
  - How the index is continuously aligned with each of the environmental or social characteristics promoted by the financial product? And if this can't be guaranteed, explain how the financial product intends to be consistent with the extra-financial characteristics.
  - How is the alignment of the investment strategy with the methodology of the index ensured on a continuous basis and indicate where the methodology used for the calculation of the index can be found?
  - How does the index used differ from a relevant broad market index?
- **Where can I find more product specific information online?**

We also suggest for **Article 9 pre-contractual template** to adopt the following structure:

- **What is the sustainable investment objective of this product?**
  - How do you measure how the sustainable investment objective of this product will be met?
- **Does this product consider the most significant negative impacts of its investments on the environment and the society (principal adverse impacts)?**
- **Does this product have a greenhouse gas emission reduction target?**
- **What investment strategy does this product follow?**

- Which commitments are the binding elements of the investment strategy of the product?
- How is it assessed whether the companies which are invested in follow good governance practices, such as tax compliance or employee matters?
- Which investments are not sustainable, what is their purpose and are there any minimum environmental or social safeguards?

What is the asset allocation and the minimum share of sustainable investments?

- What is the minimum proportion of the sustainable investment of the financial product?
- What is the methodology used to qualify investments as Sustainable?
- How do sustainable investments not cause significant harm to any environmental or social sustainable investment objective ?
    - *How are the indicators to assess the most significant negative impacts of the investments on the environment and the society taken into account for this assessment?*
    - *How are the sustainable investments consistent with relevant international standards?*
- How does the use of derivatives contribute to the sustainable investment objective?

What is the minimum proportion of EU Taxonomy investments?

- Does the product commits to investing in fossil gas and/or nuclear energy related activities that comply with the EU Taxonomy?
- What is the minimum share of investments in transitional and enabling activities?

Is a specific index used as a reference benchmark and how is the benchmark monitored to ensure consistency with the sustainable invesment objective of the product?

- How the index is continuously aligned with the sustainable investment objective of the financial product? And if this can't be guaranteed, explain how the financial product intends to be consistent with the sustainable investment objective.
- How is the alignment of the investment strategy with the methodology of the index ensured on a continuous basis and indicate where the methodology used for the calculation of the index can be found?
- How does the index used differ from a relevant broad market index?

- **Where can I find more product specific information online?**

As a conclusion, we believe it could **be useful to conduct extensive consumer-testing in all markets**, to ensure that the proposals improve consumers' understanding and match their information needs. The consumer-testing should replicate a real-life situation where consumers are confronted with the entire document, and not just with parts of the documents.

<ESMA_QUESTION_SFDR_32>

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>

The asset allocation tree, as currently proposed in the consultation paper, is misleading, especially for retail clients, as it presents an articulation of the different concepts (E/S, SI, etc.) that is not true in practice and that contradicts the regulatory corpus in several instances. In this section, we propose to (i) demonstrate indicator by indicator why we believe that the asset allocation tree is misleading, (ii) underline the importance of differentiating ex-ante commitments from ex-post reporting especially to clarify the difference between intentionality and fortuitous presence and (iii) add important remarks on some ratios and on the "objectives" of sustainable investments.

<u>I – The asset allocation tree is misleading and contradictory with the regulation</u>

- From a general perspective, the asset allocation tree gives the impression that we represent a breakdown of the portfolio whereas,
    - in the precontractual, we take **minimum** commitments, which naturally don't add up to the percentage of the parent KPI (min SI-E + min SI-S < min SI)
    - in the periodic report, we report actual values of which the sum is often greater than the parent KPI
    - Thus, retail investors looking at the tree get confused by the relationship between the indicators drawn by the tree which does not correspond to the figures written in the tree.
- **The relationship between E/S and SI in the tree contradicts the RTS**: if we follow the tree, the proportion of SI is expressed as a percentage of E/S (E/S is split between SI and non-SI but still E/S). On the contrary, it seems quite clear in the regulation that the proportion of sustainable investments should be expressed as a percentage of the total assets of the product.
- **The relationship between SI-E and SI-S is artificial**: when using systematic methodologies to define SI (and thus fight the greenwashing risk resulting from qualitative arbitrations), companies can and will be qualified through both E and S criteria.
- **The relationship between SI-E-Taxo and SI is contradicting recent clarifications from the EC:** as it was clarified by the EC in its FAQ on Taxonomy, an issuer can have a Taxonomy alignment percentage while not being considered a sustainable investment under SFDR. This renders the relationship between SI and Taxonomy as presented in the template fundamentally false, as we could totally have <u>more</u> Taxonomy alignment than SI in a portfolio (e.g. a portfolio with 30% Taxonomy alignment because of reported values by energy companies but 0% SI because all these companies use coal power generation in a way that would breach the DNSH of the SI methodology of the manager)
- **The asset allocation tree tries to present concepts of SFDR as included in one another whereas they are independent from each other. Consequently, the asset allocation tree results in a display of information which is misleading at best.**

<u>II – The tree blurs the line between ex-ante and ex-post, intentionality and fortuitous presence, which need to be reclarified</u>

Minimum commitments are about **intentionality**: the asset allocation tree has pushed some regulators to request managers to take minimum commitments on each concepts which could be found in the portfolio even though there was no intention to have them (i.e. we can invest in stocks that have Taxonomy-alignment for reasons other than their Taxonomy alignment).

III – Key additional elements

- **We recommend to abandon the ratio of "E/S characteristic" as it is misleading for end clients.** This ratio is supposed to inform on the alignment of the product with the characteristics it promotes. However, it has many unintended adverse effects that risk misrepresenting the extra-financial intensity of ESG features to clients:
  - It is ill suited for demanding strategies with several criteria: is the ratio of E/S the union of criteria? The intersection of criteria? If it is the former it loses all substance, and if it is the latter it will reward the less demanding strategies as having less criteria will automatically result in higher ratios, giving to clients the false impression that a product is more demanding than the other whereas it has less criteria.

    We believe that the issue that the E/S ratio tries to address (i.e. misrepresentation of the portfolio through communicating on only part of the assets) has already been addressed by the minimum coverage requirement. Today, in some labels, when one of the criteria is a classic better portfolio score than benchmark approach on a KPI, it is always accompanied from a minimum coverage requirement (usually between 75% and 90%) to ensure that the score of the portfolio has been measured on a material share of the portfolio. In addition, the minimum coverage allows to take cumulative commitments on several indicators while the E/S ratio can't manage it in a convincing way.
- **We recommend to abandon the ratio of "Sustainable Investments with an Environmental objective that are not aligned with the EU Taxonomy" as it supposes a mathematical link between SI and Taxonomy which has been clarified the European Commission as possible but not necessary.** Indeed, when the SI notion has been implemented through a "pass/fail" methodology there are many companies that have some degree of Taxonomy alignment but that are not qualified as sustainable investments (either because they don't pass the DNSH due to their non-aligned activities or practices, or because their positive contribution is not material enough), this ratio does not make sense as it tries to link two independent concepts. One way of calculating it consists in substracting a revenue percentage from a sum of "pass/fail" (i.e. Taxo "-" SI-E) and can result in negative figures. The other way of calculating it consists in recomputing the "pass/fail" tests of SI but without the EU Taxonomy indicator; however, in this case, the sum of SI-E-Taxo-Aligned with SI-E-Non-Taxo-Aligned will not be equal to SI-E which will be even more confusing for clients. Lastly, the fact that the precontractual template foresees a minimum commitment on this KPI seems very strange as it can be breached either because there are not enough SI-E in the portfolio or because there is too much EU Taxonomy alignment: to respect the minimum commitment we could be forced to sell companies in portfolio because there are too much aligned with the EU Taxonomy which seems quite at odds with the objective of capital reallocation of the whole regulatory package. Therefore we strongly advise to discard this indicator.

- **The regulation needs to differentiate between the objectives of the sustainable investments at company level and at product-level because this can get very confusing for clients**. At company level,we can easily identify the positive contribution criteria that led to the positive alignment of the company with the EU Taxonomy or to their qualification as SI (be it partial or full) – in other words, we could call this the sustainable investments objectives of this company. However, at the level of the fund, the EU Taxonomy pocket or the Sustainable Investments pocket are in the vast majority of the cases agnostic: what is important is to have e.g. at least 15% of Taxonomy alignment in the product, but these 15% will be randomly composed of CCM, CCA etc. In addition, as companies would report some degree of alignment with CCM, CCA etc. it would be near to impossible for a fund to ex ante commit to a breakdown of its Taxonomy commitment on the subobjectives. It is the same for the split between SI-E and SI-S, what is important is the existence and size of the sustainable investment pocket as a whole, not the split between E and S which is fortuitous in the majority of cases. What's more, the more commitments there are, the more challenging it is to take them at meaningful levels (e.g. because you can only replace an SI-S with an SI-S), reducing in turn the demandingness of financial products. While ex-post reporting can be extremely granular, ex-ante commitments should be focused on few indicators to ensure that they can be demanding and thus meaningful. Thus, while the notion of "objective" makes sense at the level of the methodologies applies to the analysis of companies, it is less relevant at fund level and even more so for generalist Article 8 products for which the objective is often only to have a generalist SI or Taxonomy pocket, as opposed to a pocket pursuing a particular objective.

We believe that ex-ante commitments should signal intentionality from the investment manager. As such, we do not see the added value of reporting on SI-E or SI-S for products for which we commit to an agnostic sustainable investment pocket (the important element here being the share of sustainable investments, not the fortuitous split between E and S).

As a consequence, we propose to:

- **Discard the asset allocation tree in all templates**
- **Assume the independence of the different ratios (especially SI and Taxonomy)**
- **Discard the E/S ratio**
- **Discard the split between SI-E and SI-S (of particular importance in the precontractual templates, they could be kept in the reporting templates even though it is not clear what informational value they bring in the absence of intentionality)**
- **Discard the SI-E-Non-Taxo (of utmost importance in the precontractual template as we do not wish to be forced to sell stocks because their Taxonomy alignment increases) – should it be kept in the periodic report templates, more guidelines should be provided on the calculation methodology**

<ESMA_QUESTION_SFDR_33>

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>

While the use of colours might seem to be a good idea to visually distinguish the sustainable features of the products, it becomes obsolete when the documents are printed in black and white. To address this issue, we would rather recommend the permanent use of icons with a strikethrough as it is already proposed for the commitment to making sustainable / EU Taxonomy investments.

<ESMA_QUESTION_SFDR_34>

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 agree with the ESAs approach to allow the possibility to use a layered approach where the consumer can click on the main questions (ie. those accompanied by an icon) to open the associated section. Improved readability and simplicity are necessary for consumers given the current complexity and length of the templates.

However this will require huge IT developments that should be anticipated and planned. Versions should also be dated.

<ESMA_QUESTION_SFDR_35>

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

<ESMA_QUESTION_SFDR_36>

As a general comment, and given the difficult access and availability of relevant data, it is crucial to allow financial market participants to rely on estimates, when necessary and whether it is at entity or product level. Transparency on the methodology used by FMPs should accompany such disclosure.

<ESMA_QUESTION_SFDR_36>

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>

From our perspective, there is no need for a more specific definition of the concept of "key environmental metrics" to prevent greenwashing.

<ESMA_QUESTION_SFDR_37>

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>

Specific rules on the calculation of the proportion of sustainable investments of financial products do not seem appropriate, as illustrated by the approach recommended by the EC which recognizes the need to assess several elements in order to form an informed view.

Indeed, we use the 13 June 2023 European Commision Q&A on the interpretation and implementation of certain legal provisions of the EU Taxonomy Regulation and links to the Sustainable Finance Disclosure Regulation: "…if a financial market participant (FMP) invests in an undertaking with some degree of taxonomy-alignment through a funding instrument that does not specify the use of proceeds, such as a general equity or debt, the FMP would still need to check additional elements under the SFDR in order to consider the whole investment in that undertaking as sustainable investment. This means that the FMP would still need to: (i) check whether the rest of the economic activities of the undertaking comply with the environmental elements of the SFDR DNSH principle; and (ii) assess whether she/he considers the contribution to the environmental objective sufficient"

<ESMA_QUESTION_SFDR_38>

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 strongly agree that cross-referencing in periodic disclosures of financial products with investment options would be beneficial to address information overload. The current approach is operationally difficult to implement and will lead to customer receiving unnecessary volumes of information, often in print due to the national approach for the implementation of Solvency II in many member states.. However it should be possible to include a single link to the website page that includes all the relevant annexes. Indeed providing a link for each annex does not seem operationally feasible and will also be clearer for the customer who is likely to receive the periodic information on a paper format. Annexes would be clearly identified on the website to make sure that customers can easily access the information.

It should also be possible to point to the prospectus. Indeed asset managers usually do not separate the annexes from the whole prospectus document.

<ESMA_QUESTION_SFDR_39>

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

<ESMA_QUESTION_SFDR_40>

We agree with the fact that website disclosures should include a list of the investment options that qualify the financial product as a financial product referred to in Article 8(1) or 9(1), (2) and (3) SFDR. The list should be accompanied by the hyperlink to the precontractual annexes.

However we disagree with the proposal to include a general summary of the financial product with underlying investment options (article 49d). This information would not be relevant at product-level, as a client can chose the options he wishes to invest in. We are also against further summaries of the underlying investment options and additional details. Indeed precontractual annexes already provide synthetic and clear information. Adding summaries will only increase burden for financial market participants without adding real value for consumers.

More importantly, it is the role of financial intermediaries to assess the sustainability preferences of their clients and then propose the relevant product with the appropriate mix of investments options corresponding to those preferences. This requirement will be complemented by the introduction of compulsory training on sustainable finance and sustainable products for financial intermediaries.

<ESMA_QUESTION_SFDR_40>

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>

We generally support the proposal which should apply to investment options for which issuers are subject to SFDR regulation but should not apply to other financial instruments mentioned in the Annex III of MIFID

<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>

There is no need to modify the format or the level of standardisation of pre-contractual disclosures to make them machine readable. The impact of these changes on the template and therefore on consumers' understanding of the documents is not clear, while duplicating manufacturers' requirements by asking them to provide equivalent figures in a different format would not simplify the already burdensome pre-contractual requirements.

This would lead to increased costs for FMPs (and ultimately for consumers) without any improved benefit for consumers. Providing, collecting and keeping updated machine-readable information at product level is even more demanding than providing data at entity level, as thousands of pre-contractual documents are produced and subject to review and revisions, while reporting is developed once a year by each entity. The SFDR templates are already published on FMPs' websites as PDF files. In some countries, National Competent Authorities are accepting receiving the templates in PDF format to comply with certain pre-notification requirements (eg. for the PRIIPs KID).

<ESMA_QUESTION_SFDR_42>

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>

N/A

<ESMA_QUESTION_SFDR_43>

ANNEX II

~~Template P~~pre-contractual disclosure for the financial products referred to in Article 8, paragraphs1, 2 and 2a, of Regulation (EU) 2019/2088 and Article 6, first paragraph, of Regulation (EU) 2020/852

Product name: [complete] **Legal entity identifier:** [complete]

Date:

Sustainable investments contribute to environmental or social objectives and do not cause significant harm to environment and society.

The **EU Taxonomy** defines **environmentally sustainable economic activities according to specific criteria**. Not all sustainable investments with an environmental objective meet the EU Taxonomy criteria.

Pre-contractual information: Environmental and/or social characteristics ~~[delete environmental or social if not applicable]~~

This product has some sustainability characteristics, but does not have sustainable investment as its objective

~~*[include the environmental and/or social characteristic(s) promoted by the product and the [X]% of the product's investments that promote those characteristics – 250 character limit with spaces]*~~

[if q%>0 use green icon and text:] Minimum sustainable investments = [q]%
[if q%=0 use grey icon, remove green box on the right and use text:] This product does not commit to making sustainable investments.

q%

[if r%>0 use dark green icon and text:] Minimum EU Taxonomy investments = [r, calculated according to Article 17 of this Regulation]%
[if r%=0 use grey icon, remove dark green box on the right and use text:] This product does not commit to making EU Taxonomy investments.

r%

This product *[does not]* considers the most significant negative impacts of its investments on the environment and society. *[use grey icon where the product does not]*

This product targets a reduction of____% of greenhouse gas emissions in the atmosphere by ____ either in absolute value or compared to a reference universe .*[mention the date of achievement of the target]*. *[remove this statement and icon where theproduct does not have a*

What are the environmental and/or social characteristics of this product? *[indicate the environmental and/or social characteristics promoted by the financial product and whether a reference benchmark has been designated for the purpose of attaining the environmental or social characteristics promoted by the financial product]*

- ***How do you measure how ~~each of the~~ environmental or social characteristics are met?*** *[specify the sustainability indicators used]*

- ***How does the use of derivatives contribute to the promotion of environmental or social characteristics?*** *[for financial products that use derivatives as defined in Article 2(1), point (29), of Regulation (EU) No 600/2014 to attain the environmental or social characteristics they promote, describe how the use of those derivatives meets those characteristics]*

- **What investments are not promoting the product's environmental or social**

a mis en forme : Police :Gras

Commenté [A1]: We do not advise to split E and S as most financial products promoting extra-financial characteristics do so through the application of binding criteria based on ESG factors.

Commenté [A2]: Box n°1: no remark
Box n°2:
-We Advise to remove the summary description of the E/S characteristics as it is the same as the one described directly below and stakeholders (clients, regulators, etc.) are complaining about the length of the templates, hence the need not to repeat information so many times. In addition it is a heavy administrative burden for FMPs.
-We advise to remove the notion of the % of the product investments that promote those characteristics, be it in terms of minimum or observed percentage. Indeed, this notion leads to confusion from clients as they will expect that products with a higher ratio will be "more" ESG than products with a lower ratio, whereas the level of the ratio has nothing to do with the stringency of the sustainability criteria. More detailed justification for this position will be provided in the answer to question n°33.
Box n°3 and 4: no remark on the pictograms and sentences. However, R is not included within Q so we advise to remove the inclusion sign. More information on this position will be provided in the answer to question n°3.
Box n°5: no remark
Box n°6: We advise to precise the KPI used to measure GHG emissions reduction targets. What about letting the possibility to disclose an emission reduction compared to a reference universe?

Commenté [A3]: This question needs to be included in the first section about the environmental and/or social characteristics

characteristics, what is their purpose and are there any minimum environmental or social safeguards?

~~***This product makes a minimum of [x]% sustainable investments. What are the objectives of the sustainable investments?*** *[only include for financial products that make sustainable investments a description of the objectives and how the sustainable investments contribute to the sustainable investment objective. For the financial products referred to in Article 6,*~~

Commenté [A4]: We would suggest to move this question in the section about the E/S characteristics promoted by the financial product and not in the asset allocation.

Commenté [A5]: This question needs to be moved to the Asset Allocation section

~~first paragraph, of Regulation (EU) 2020/852, list the environmental objectives set out in Article 9 of that Regulation to which the sustainable investment underlying the financial product contributes]~~

Does this product consider the most significant negative impacts of its investments on the environment and society (principal adverse impacts)?

[include notes only for financial products that consider PAI] **Principal adverse impacts** are the most significant negative impacts on the environment and society including employee matters, human rights, corruption and bribery.

☐ Yes,________ *[if the financial product considers principal adverse impacts on sustainability factors, include a clear and reasoned explanation of how it considers principal adverse impacts on sustainability factors. Indicate where, in the information to be disclosed pursuant to Article 11(2) of Regulation (EU) 2019/2088, the information on principal adverse impacts on sustainability factors is available]*

☐ No *[indicate the reasons]*

Does this product have a greenhouse gas (GHG) emission reduction target?

[include notes only for financial products that have a GHG emission reduction target] **Greenhouse gases (GHG)** are those gases, including carbon dioxide, that are responsible for the "greenhouse effect". The increased concentration of these gases in the atmosphere is the cause of global warming.

☐ Yes: *[if the financial product has, as per its investment management policy, a GHG emission reduction target in accordance with Article 14a(1) of this Regulation, provide a narrative explanation about the way the target will be achieved, indicating whether the financial product (a) divests from investments with particular GHG emissions levels and invests instead in companies with lower GHG emissions; and/or (b) invests in companies that are expected to deliver GHG emissions reductions over the duration of the investment; and/or (c) engages with investee companies to contribute to their GHG emissions reduction and/or (d) other. In case of (d), explain the approach used. Indicate which is the share of the investments of the financial product covered by the GHG emission reduction target and when the target is achieved only by a share of investments, indicate the target of that share of investments.]*

☐ No *[if the financial product does not have a GHG emission reduction target in accordance with Article 14a(1) of this Regulation, do not include any subsequent question related to the topic below and proceed to the next section 'What investment strategy does this product follow?']*

- ***What is the greenhouse gas emission reduction target of the product?*** *[Fill in the table below, with information on the baseline GHG emissions, the final and intermediate targets and the corresponding years. The baseline financed GHG emissions and the targets shall be calculated in accordance with Article 14a(2) of this Regulation. ~~Financial market participants shall indicate if the data on the investee companies' GHG removals and storage and/or the purchase of carbon credits are not readily available and include details of the best efforts used to obtain the information either directly from investee companies, or by carrying out additional research, cooperating with third party data providers or external experts or making reasonable assumptions.~~ Financial market participants shall disclose the share of the investments for which the data are available.]*

This product is not aiming at limiting global warming to 1.5 degree Celsius.

	[Baseline year]	*[Date of expected achievement of intermediate target]*	*[Add columns for other intermediate targets, where applicable]*	*[Date of expected achievement of the final target]*
GHG emission reduction targets (tCO_2-eq/€M)	*[GHG emissions in tCO_2-eq/€M~~M, not including~~*			

Commenté [A6]: This requirement is very confusing because Sustainable Investments may be qualified through the verification a positive contribution criteria that is not their alignment with the EU Taxonomy (e.g. alignment with SDG framework, etc.).

Commenté [A7]: We think that the way this question is framed is confusing. Indeed, the fact that an investment is "sustainable" is independent from the strategy of the financial product, it is an intrinsic characteristic of the investment analyzed. In addition, it has been further clarified that there should be consistency in the way FMPs classify investments as Sustainable (SFDR 2.17) across their product range. As a consequence, an Article 8 product can commit to invest a minimum share of its investments into "Sustainable Investments" (SFDR2.17) without having a specific E or S objective for the Sustainable Investment pocket considered. We advise to frame this question differently to more clearly state that what is to be described here is the methodology to determine that each investment is or not a Sustainable Investments in the meaning of SFDR 2.17.

This question has been moved below.

Commenté [A8]: We do not understand the reference to Article 11 as there is in any case a question in the periodic report template. We would advise to reference here a link to the website where the policy to take into account PAI indicators is available, unless they are taken into account in a perfectly idiosyncratic manner, in which case the description made here should be exhaustive.

Commenté [A9]: It should be clarified that such a target can only be an indicator constraining the product as opposed to being the objective of the product.

Commenté [A10]: The regulatory ask needs to explicitly allow to use a combination of factors (a, b, c) to achieve the reduction in GHG emissions. We cannot attribute ex post either the target reduction to each of the factors (e.g. we cannot quantitatively measure the impact of engagement; it is not desirable to attribute the reduction in GHG emissions of the product to the underlying factors (a) divestment from GHG intensive companies or (b) investment in companies with GHG emissions reduction targets. We believe that the added complexity far outweighs the benefits of the added transparency).

Commenté [A11]: It should be clarified whether we are asking to disclose the share of investments as a percentage of the total assets (ie including non relevant asset such as ancillary liquidity asset, hedging derivatives etc.) or as a percentage of the eligible assets (ie excluding ancillary liquidity asset, hedging derivatives etc.)

a mis en forme : Espace Avant : 0 pt *[include only for financial products that have a GHG emission reduction target]* **Information on progress towards the target will be available in the periodic reports** *[add link to periodic reports where available]* **and additional details are available here** *[add link to website]*.

	~~carbon removals and storageand credits]~~			
GHG removals and storage (tCO_2-eq/€M) *[include row where relevant]*				
Carbon credits used by investee companies and/or purchased by the financial market participant (tCO_2-eq/€M) *[include row where relevant]*				

a mis en forme : Retrait : Gauche : 0 cm

The investment strategy guides investment decisions based on factors such as investment objectives and how much risk can be taken.

What investment strategy does this product follow?

[provide a description of the investment strategy and indicate how the strategy is implemented in the investment process on a continuous basis, and if this can't be guaranteed, explain why and how the investment products intends to deliver its ~~sustainability~~extra-financial characteristics.]

- ***What ~~commitments are made in~~are the binding elements of the investment strategy regarding the environmental or social characteristics of the product?***

- ***What is the committed minimum rate of reduction of investments according to the investments strategy?*** *[Where there is a commitment to reduce the scope of investments by a minimum rate, include an indication of the rate to reduce the scope of the investments considered prior to the application of the investment strategy]*

- ***How is it assessed whether the companies which are invested in, follow good governance practices, such as tax compliance or employee matters?*** *[include a short description of the policy to assess good governance practices of the investee companies]*

Asset allocation describes the share of investments in specific assets.

What is the asset allocation planned for this product?

~~*[include a narrative explanation of the investments of the financial product, including the minimum proportion of the investments of the financial product used to meet the environmental or social characteristics promoted by the financial product in accordance with the binding elements of the investment strategy. This includes the minimum proportion of sustainable investments of the financial product where that financial products commits to making sustainable investments, and the purpose of the remaining proportion of the investments, including a description of any minimum environmental or social safeguards]*~~

- ~~***How does the use of derivatives contribute to the promotion of environmental orsocial characteristics?***~~ ~~*[for financial products that use derivatives as defined in Article 2(1), point(29), of Regulation (EU) No 600/2014 to attain the environmental or social characteristics they promote, describe how the use of those derivatives meets those characteristics]*~~

- ***This product makes a minimum of [x]% sustainable investments. What is the methodology used to qualify investments as Sustainable?*** *[only include for financial products that make sustainable investments. Include a link towards a single webpage where a*

Commenté [A12]: We advise to clarify what is intended here: the financial elements of the investment strategy or the extra-financial elements of the investment strategy or both. Indeed, we have had contradictory requirements in different European jurisdictions, which has been preventing us to implement the templates in an harmonized way across the different EU jurisdictions in which we operate.

Commenté [A13]: This comment leads to difficulty for some types of products for which, by nature, the "continuous basis" cannot be verified (e.g. private assets products for which there is an investment period, ETFs for which index rebalancing can lead to inability to meet some binding elements, formula funds which can be at times fully monetarized depending on the parameters and the formula, etc.).

Commenté [A14]: Stakeholders have started being used to the term "binding elements" in force until now, we would advise to limit the changes when necessary.

Commenté [A15]: We think it is a good idea to have regrouped all "minimum commitments" and related sustainability types of assets under the same section (including Taxonomy alignment)

Commenté [A16]: We do not think this is useful as it is already described in the prospectus of the financial product.

Commenté [A17]: As explained in the dashboard and in the written answer to question n°33, we strongly advise to get rid of this misleading and not defined notion.

Commenté [A18]: Not needed as it is described in the following sections

Commenté [A19]: This question needs to be included in the first section about the environmental and/or social characteristics

Commenté [A20]: This question needs to be moved to the asset allocation section *detailed information about the methodology used, covering the output level of the analysis (pass/fail company-level approach or proportion of the analysis, measured on Revenues/Capex/Opex), the key performance indicators used to determine the positive contribution criteria including their inclusion thresholds (e.g. EU Taxonomy alignment, other activity-based alignment framework, company-level net-zero alignment, other activity-level or company-level KPI evidencing significant positive contribution, etc.), [for DNSH, it is described in the question below].]*

Commenté [A21]: We remind that the requirement regarding the taxonomy objective is very confusing because Sustainable Investments may be qualified through the verification a positive contribution criteria that is not their alignment with the EU Taxonomy (e.g. alignment with SDG framework, etc.). We need to clearly differentiate the objective of the fund to have sustainable investment from the underlying environmental or social objectives used to verify the positive contribution criteria of 2.17 in order to qualify sustainable investment. As such the SI pocket of a fund can have companies qualified according to various objectives depending on their activities. The important thing is to have a SI pocket as opposed to pursuing a specific E or S objective which make little sense in generalist fund.

Commenté [A22]: We think that the way this question is framed is confusing. Indeed, the fact that an investment is "sustainable" is independent from the strategy of the financial product, it is an intrinsic characteristic of the investment analyzed. In addition, it has been further clarified that there should be consistency in the way FMPs classify investments as Sustainable (SFDR 2.17) across their product range. As a consequence, an Article 8 product can commit to invest a minimum share of its investments into "Sustainable Investments" (SFDR2.17) without having a specific E or S objective for the Sustainable Investment pocket considered. We advise to frame this question differently to more clearly state that what is to be described here is the methodology to determine that each investment is or not a Sustainable Investments in the meaning of SFDR 2.17.

See question 17 of the consultation

With regards to sustainable investments, how do they not cause significant harm to any environmental or social objective? *[include a description for the financial product that partially intends to make sustainable investments]*

How are the indicators to assess the most significant negative impacts of the investments on the environment and society taken into account for this assessment? [include an explanation of how the indicators for adverse impacts in Table 1 of Annex I and any relevant indicators in Tables 2 and 3 of Annex I, are taken into account. If the financial product uses thresholds to determine that sustainable investments do not significantly harm any environmental or social objective under the PAI indicators in Annex I of this Regulation, provide a concise explanation of how they were determined and provide a hyperlink to the section on the website where further explanations and the thresholds are disclosed.]

Link where detailed information is provided:

How are the sustainable investments consistent with the relevant international standards? Details: [include an explanation on the alignment with the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights, including the principles and rights set out in the eight fundamental conventions identified in the Declaration of the International Labour Organisation on Fundamental Principles and Rights at Work and the International Bill of Human Rights]

[Include statement for financial products referred to in Article 6, first paragraph, of Regulation (EU) 2020/852]

The EU Taxonomy sets out a "do not significant harm" principle by which Taxonomy-aligned investments should not significantly harm EU Taxonomy objectives and is accompanied by specific EU criteria.

The "do no significant harm" principle applies only to those investments underlying the financial product that take into account the EU criteria for environmentally sustainable economic activities. The investments underlying the remaining portion of this financial product do not take into account the EU criteria for environmentally sustainable economic activities.

Any other sustainable investments must also not significantly harm any environmental or social objectives.

[include note only for the financial products referred to in Article 6, first paragraph, of Regulation (EU) 2020/852]
To comply with the EU Taxonomy, the criteria for **fossil gas** include limitations on emissions and switching to renewable power or low-carbon fuels by the end of 2035. For **nuclear energy**, the criteria include comprehensive safety and waste management rules.

What is the minimum proportion of EU Taxonomy investments? *[include a section for the financial products referred to in Article 6, first paragraph, of Regulation (EU) 2020/852, even if the minimum commitment of EU Taxonomy aligned investments is 0%, and include the graphical representation referred to in Article 15(1), point (a), of this Regulation, the description referred to in Article 15(1), point (b), of this Regulation, a clear explanation as referred to in Article 15(1), point (c), of this Regulation, a narrative explanation as referred to in Article 15(1), point (d), of this Regulation and the information referred to in Article 15(2) and (3) of this Regulation]*

Does the product commit to investing in fossil gas and/or nuclear energy related activities that comply with the EU Taxonomy[1]?

☐ Yes: *[specify below, and details in the graphs of the box]*

☐ In fossil gas ☐ In nuclear energy

☐ No, the product does not commit to investing in such activities, however, the product can invest in such activities.

[include note only for financial products referred to in Article 6 of Regulation (EU) 2020/852
EU Taxonomy-aligned activities are expressed as a share of:
- **turnover** reflecting the share of revenue from green activities of investee companies
- **capital expenditure** (CapEx) showing the green investments made by investee companies, e.g. for a transition to a green economy.
- **operational expenditure** (OpEx) reflecting green operational activities of investee companies.

[1] Fossil gas and/or nuclear related activities will only comply with the EU Taxonomy where they contribute to limiting climate change ("climate change mitigation") and do not significantly harm any EU Taxonomy objective - see explanatory note in the left hand margin. The full criteria for fossil gas and nuclear energy economic activities that comply with the EU Taxonomy are laid down in

Commenté [A23]: If we keep this section, it should become a subsection of the question about the description of the Sustainable Investments

Commenté [A24]: There is regulatory divergence in the implementation of this question, that is the reason why we have modified the text.

Commenté [A25]: This precision is hugely important to ensure a harmonized application across jurisdictions about how to signal to clients that a product can invest in some types of assets while not committing to investing a minimum proportion.

Commission Delegated Regulation (EU) 2022/1214.

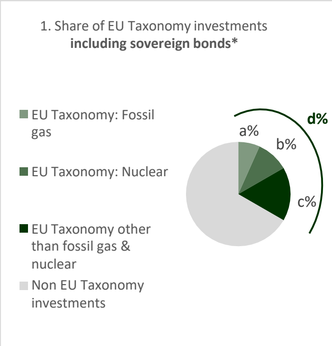
[include note for the financial products referred to in Article 6, first paragraph, of Regulation (EU) 2020/852.

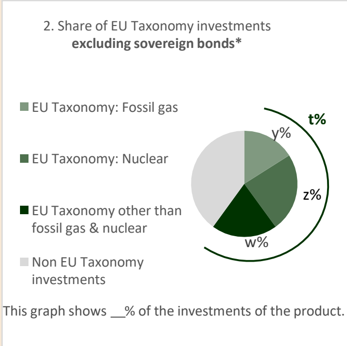
Enabling activities directly enable other activities to make a substantial contribution to an environmental objective

Transitional activities are activities for which low-carbon alternatives are not yet available and among others have greenhouse gas emission levels corresponding to the best performance.

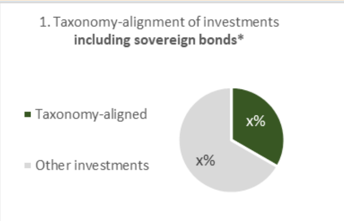
The two graphs below show in green the minimum percentage of EU Taxonomy investments. As there is no appropriate way to determine if sovereign bonds* meet the criteria of the EU Taxonomy, the first graph shows the share of EU Taxonomy investments in relation to all the investments of the product including sovereign bonds, while the second graph shows the share of EU Taxonomy investments in relation only to the investments of the product other than sovereign bonds.

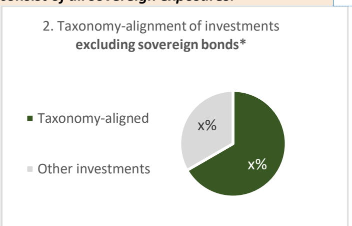
[only include in the graphs the figures for EU Taxonomy aligned fossil gas and/or nuclear energy as well as the corresponding legend and the explanatory text in the left hand margin if the financial product makes investments in fossil gas and/or nuclear energy EU Taxonomy-aligned economic activities]





**** For the purpose of these graphs, 'sovereign bonds' consist of all sovereign exposures.***





[include note for financial products referred to in Article 6, first paragraph, of Regulation (EU) 2020/852 that invest in environmental economic activities that are not environmentally sustainable economic activities]

are sustainable investments with an environmental objective that **do not take into account the criteria** of the EU Taxonomy.

What is the minimum share of investments in transitional and enabling activities?

[include section for the financial products referred to in Article 6, first paragraph, of Regulation (EU) 2020/852]

~~**What is the minimum share of sustainable investments with an environmental objective that do not meet the criteria of the EU Taxonomy?**~~

~~*[include section only for the financial products referred to in Article 6, first paragraph, of Regulation (EU) 2020/852 where the financial product invests in economic activities that are not environmentally sustainable economic activities and explain why the financial product invests in sustainable investments with an environmental objective in economic activities that are not EU Taxonomy-aligned]*~~

~~**What is the minimum share of socially sustainable investments?**~~ ~~*[include section only where the financial product includes sustainable investments with a social objective]*~~

~~**What investments are not promoting the product's environmental or socialcharacteristics, what is their purpose and are there any minimum environmental or social safeguards?**~~

Commenté [A26]: This section is about minimum commitments. At financial product level, we must retain the liberty to commit either at the overall level of EU Taxonomy alignment (d% and/or t%), or at the level of any of the sub-components (a% and/or b% and/or c% and/or y% and/or z% and/or w%).
It needs to be made very clear that we do not need to "breakdown" an overall Taxonomy commitment (d% and/or t%) across the various sub-components. Indeed, as EU Taxonomy is measured at activity-level, the mix of the sub-components will be specific to each company; as a consequence, a requirement to breakdown to overall Taxonomy commitment will only reduce, or even nullify, our ability to take meaningful Taxonomy commitments.
As an example, when we make a financial product which commits to investing in Eurozone stocks, we are not required to commit ex-ante on having a minimum share of investments in the countries making the Eurozone: the commitment is only at Eurozone level.

That being said, we will welcome the breakdown of Taxonomy into its sub-components when making ex-post reporting on the financial product's portfolio.

Commenté [A27]: It should be clarified that the former version of the graphs could be used in case of no commitments to invest in fossil gas and nuclear energy activities aligned with taxonomy

Commenté [A28]: We advise against introducing the notion of sustainable investments with an environmental objective that are not aligned with the EU Taxonomy, and especially against the notion of "minimum" commitment on this indicator.
First, the notion itself lacks definition and is confusing as it brings together two notions "sustainable investments" and "EU Taxonomy alignment" that are distinct (see answer to question 33 of the consultation).
Second, as usual in precontractual documentation, the term "minimum" means that the proportion must be respected at all times. Now, in this case, we can breach this "minimum" proportion either because we do not have enough sustainable investments mapped to an E objective, or because we have too much (!) Taxonomy aligned investments. Committing to a minimum proportion here would entail that there will be cases, for instance when companies will start reporting their Taxonomy alignment, where we will have to sell companies because their Taxonomy-alignment has increased and that this has led to a breach of this ratio. This is of course contrary to what we want to do and to the very objective of the regulatory framework that aims to foster capital reallocation within the EU towards to finance a more sustainable economy.
For the sake of transparency, we suggest that, in the question where we describe the Sustainable Investments ...

Commenté [A29]: We advise that splitting sustainable investments (SI) into SI-E and SI-S does not bring additional clarity to clients.
Article 8 products, when committing to investing a minimum share of their assets in Sustainable Investments are building a Sustainable Investments pocket which is most often agnostic in terms of objective. Thus, the same remark as for the breakdown of Taxonomy holds, that is, financial products should be able to take a commitment on Sustainable Investments without having to explain the breakdown between SI-E and SI-S.
In addition the split between SI-E and SI-S is not a notion that is used in the regulation implemented by distributors (MIF ...

Commenté [A30]: We would suggest to move this question in the section about the E/S characteristics promoted by the financial product.

[include note for financial products where an index has been designated as a reference benchmark for the purpose of attaining the environmental or social characteristics promoted by the financial product]

Reference benchmarks are indexes to show how well a product performs compared to an index with similar objectives or features.

Is a specific index used as a reference benchmark~~ and how is this index monitored to ensure consistency with the environmental and/or social characteristics of the product~~? *[include section where an index has been designated as a reference benchmark for the purpose of attaining the environmental or social characteristics promoted by the financial product. ~~Specify how the index is continuously aligned with each of the environmental or social characteristics promoted by the financial product. Specify also how is the alignment of the investment strategy with the methodology of the index ensured on a continuous basis and indicate where the methodology used for the calculation of the index can be found~~]*

- ***How the index is continuously aligned with each of the environmental or social characteristics promoted by the financial product? And if this can't be guaranteed, explain how the financial product intends to be consistent with the extra-financial characteristics.***
- ***How is the alignment of the investment strategy with the methodology of the index ensured on a continuous basis and indicate where the methodology used for the calculation of the index can be found?***
- ***How does the index used differ from a relevant broad market index?***

Where can I find more product specific information online?

More product-specific information can be found on the website: *[include a hyperlink to the website referred to in Article 23 of this Regulation]*

Commenté [A31]: To ensure the lisibility of the template and the comparability between the document, we advise to modify the presentation of the questions that need to be answered.

a mis en forme : Police :Gras, Italique

a mis en forme : Paragraphe de liste, Liste à images de puces + Niveau : 1 + Alignement : 0,63 cm + Tabulation après : 1,27 cm + Retrait : 1,27 cm

a mis en forme : Paragraphe de liste, Retrait : Gauche : 1,27 cm

Commenté [A32]: Due to technical and MIFID 2 constraints it is not possible to make a link on the direct SFDR disclosure website. It will solely to indicate to the investor on which page he can find the relevant information on the website of the management company.

ANNEX III

~~Template~~ ~~p~~Pre-contractual disclosure for the financial products referred to in Article 9, paragraphs 1to 4a, of Regulation (EU) 2019/2088 and Article 5, first paragraph, of Regulation (EU) 2020/852

Product name: [complete] **Legal entity identifier:** [complete]

Date:

Pre-contractual information: Sustainable investment objective

Sustainable investments contribute to an environmental or social objective and do not cause significant harm to environment and society.

Paris Aligned Benchmark (PAB) and **Climate Transition Benchmark** (CTB) refer to benchmarks compliant with Regulation (EU) 2016/1011 of the European Parliament and of the Council~~**Sustainable investments**~~

The **EU Taxonomy** defines **environmentally sustainable economic activities according to specific criteria**. Not all sustainable investments with an environmental objective meet the EU Taxonomy criteria.

This product has sustainable investment as its objective.

~~[in this box include the product's sustainable investment objective – 250 characters limit with space]~~

[If relevant, tick the second box and complete the question related to what investments are not sustainable]

☐ *Minimum sustainable investments = [q]%* **q%**

☐ *This product is implementing a [Paris Aligned Benchmark/ Climate Transition] investment strategy and is deemed to have a sustainable investment as its objective.*

[if r%>0 use dark green icon and text:] Minimum EU taxonomy investments = [r calculated according to Article 17 of this Regulation]% **r%**

[if r%=0 use grey icon, remove dark green box on the right and use text:] This product does not commit to making EU taxonomy investments.

This product considers the most significant negative impacts of its investments on the environment and society. *[use grey icon, and "does not consider" instead of "considers" where the product does not]*

This product targets a reduction of_____% of greenhouse gas emissions in the atmosphere by either in absolute value or compared to a reference universe.

[include this statement and icon where the product has a GHG emission reduction target that is not compatible with limiting global warming to 1.5 degrees Celsius.]

This product targets a reduction of greenhouse gas emissions in the atmosphere to limit global warming to 1.5 °C. *[include this statement and icon where the product has a GHG emission*

What is the sustainable investment objective of this product? *[indicate the investment objective pursued by the financial product, ~~describe how the sustainable investments contribute to a sustainable investment objective~~ and indicate whether a reference benchmark has been designated for the purpose of attaining the sustainable investment objective. ~~For financial products referred to in Article 5, first paragraph, of Regulation (EU) 2020/852, in respect of sustainable investments with environmental objectives, list the environmental objectives set out in Article 9 of that Regulation to which the sustainable investment underlying the financial product contributes.~~ For financial products referred to in Article 9(3) of Regulation (EU) 2019/2088, indicate that the financial product has the objective of reducing carbon emissions and explain that the reference benchmark qualifies as an EU Climate Transition Benchmark or an EU Paris-aligned Benchmark under Title III, Chapter 3a, of Regulation (EU) 2016/1011 and indicate where the methodology used for the calculation of that benchmark can be found. Where no EU Climate Transition Benchmark or EU Paris-aligned Benchmark as qualified in accordance with Regulation (EU) 2016/1011 is available, describe that fact, how the continued effort of attaining the objective of reducing carbon emissions is ensured in view of achieving the objectives of the Paris Agreement and the extent to which the financial product complies with the methodological requirements set out in Commission Delegated Regulation (EU) 2020/1818]*

a mis en forme : Police :Gras

Commenté [A33]: Box n°1: no remark
Box n°2:
-We Advise to remove the summary description of the sustainable investment objective as it is the same as the one described directly below and stakeholders (clients, regulators, etc.) are complaining about the length of the templates, hence the need not to repeat information so many times. In addition it is a heavy administrative burden for FMPs.
-We advise to introduce the possible to disclose that a product whose investment strategy is aligned with the PAB/CTB methodology is deemed to be an article 9. In such case, the question related to what is not sustainable shall be completed with information regarding the PAB/CTB methodology.

Box n°3 and 4: no remark on the pictograms and sentences. However, R is not included within Q so we advise to remove the inclusion sign. More information on this position will be provided in the answer to question n°3.
Box n°5: no remark
Box n°6: We advise to precise the KPI used to measure GHG emissions reduction targets. What about letting the possibility to disclose an emission reduction compared to a reference universe?

a mis en forme : Couleur de police : Rouge

a mis en forme : Police :10 pt, Gras

a mis en forme : Police :10 pt

a mis en forme : Police :10 pt, Gras

a mis en forme : Police :10 pt

Commenté [A34]: We think that the way this question is framed is confusing. Indeed, the fact that an investment is "sustainable" is independent from the strategy of the financial product, it is an intrinsic characteristic of the investment analyzed. In addition, it has been further clarified that there should be consistency in the way FMPs classify investments as Sustainable (SFDR 2.17) across their product range. As a consequence, an Article 9 product can commit to invest a minimum share of its investments into "Sustainable Investments" (SFDR2.17) without having a single thematic for the Sustainable Investment pocket considered. We advise to frame this question differently to more clearly state that what is to be described here is the methodology to determine that each investment is or not a Sustainable Investments in the meaning of SFDR 2.17.

As such the SI objective of a fund is not necessarily corelated to the various objectives through companies have been qualified as SI. Nothing prevent the sustainable investment objective of the fund as defined in 9.2 to only invest in sustainable investments as opposed to a thematic objective.

Commenté [A35]: Such requirement should be included in the EU taxonomy alignment question.

a mis en forme : Police :Times New Roman, 10 pt, Étendu de 0,8 pt, Décalage haut de 1 pt

a mis en forme

- ***How do you measure how the sustainable investment objective of this product will be met?*** *[specify the sustainability indicators used]*

a mis en forme : Police :Gras, Italique, Décalage haut de 1 pt

a mis en forme : Police :Gras, Italique

a mis en forme : Paragraphe de liste, Retrait : Gauche : 5 cm, Suspendu : 0,75 cm, Liste à images de puces + Niveau : 1 + Alignement : 0,63 cm + Tabulation après : 1,27 cm + Retrait : 1,27 cm, Taquets de tabulation : Pas à 1,27 cm

a mis en forme : Police :Italique

a mis en forme : Police :Times New Roman, 10 pt, Étendu de 0,8 pt, Décalage haut de 1 pt

Does this product consider the most significant negative impacts of its investments on the environment and the society (principal adverse impacts)?

[include notes only for financial products that consider PAI] **Principal adverse impacts** are the most significant negative impacts on the environment and society including employee matters, human rights, corruption and bribery.

Yes *[if the financial product considers principal adverse impacts on sustainability factors, include a clear and reasoned explanation of how it considers principal adverse impacts on sustainability factors.* *A cross reference to the DNSH of sustainable investment question can be made.* ~~*Indicate where, in the information to be disclosed pursuant to Article 11(2) of Regulation (EU) 2019/2088, the information on principal adverse impacts on sustainability factors is available]*~~

No *[explain the reasons]*

Commenté [A36]: As it is necessary to demonstrate that a given sustainable investment takes into account all the PAI indicators, this question may be redundant to another question of the template. In such case a cross reference should be permitted to avoid the repetition.

For the avoidance of doubt this should be possible for non PAB/CTB product.

Does this product have a greenhouse gas emission reduction target?

[include note only for financial products that have a GHG emission reduction target] **Greenhouse gases (GHG)** are those gases, including carbon dioxide, that are responsible for the "greenhouse effect". The increased concentration of these gases in the atmosphere is the cause of global warming.

Yes: *[if the financial product has a greenhouse gases (GHG) emission reduction target in accordance with Article 14a(1) of this Regulation, provide a narrative explanation about the target, indicating whether the financial product (a) divests from investments with particular GHG emissions levels and invests instead in companies with lower GHG emissions; and/or (b) invests in companies that are expected to deliver actual GHG emissions reductions over the duration of theinvestment; and/or (c) engages with investee companies to contribute to their GHG emissions reduction and/or (d) other approach. In case of (d), explain the approach used. Indicate which is the share of the investments of the financial product covered by the GHG emission reduction target and when the target is achieved only by a share of investments, indicate the target of that share of investments.*

For financial products referred to in Article 9(3) of Regulation (EU) 2019/2088 whose investment objective is to track use an EU Climate Transition Benchmarks or an EU Paris-aligned Benchmark as defined in Article 3, points (23a) and (23b) of Regulation (EU) 2016/1011 , provide a hyperlink to information disclosed by the benchmark administrator according to Article 18(5) of this Regulation. Do not include any subsequent question related to the topic below and proceed to the next section 'What investment strategy does this product follow?']

No *[if the financial product does not have a GHG emission reduction target in accordance with Article 14a(1) of this Regulation, do not include any subsequent question related to the topic below and proceed to the next section 'What investment strategy does this product follow?']*

Commenté [A37]: The regulatory ask needs to explicitly allow to use a combination of factors (a, b, c) to achieve the reduction in GHG emissions. We cannot attribute ex post either the target reduction to each of the factors (e.g. we cannot quantitatively measure the impact of engagement; it is not desirable to attribute the reduction in GHG emissions of the product to the underlying factors (a) divestment from GHG intensive companies or (b) investment in companies with GHG emissions reduction targets. We believe that the added complexity far outweighs the benefits of the added transparency).

Commenté [A38]: It should be clarified whether we are asking to disclose the share of investments as a percentage of the total assets (ie including non relevant asset such as ancillary liquidity asset, hedging derivatives etc.) or as a percentage of the eligible assets (ie excluding ancillary liquidity asset, hedging derivatives etc.)

[remove this box where the product aims to limit global warming to 1.5 °C] This product is not aiming at limiting global warming to 1.5 °C.

- ***What is the greenhouse gas emission reduction target of the product?*** *[Fill in the table below, with information on the baseline financed GHG emissions, the final and intermediate targets and the corresponding years. The baseline financed GHG emissions and the targets shall be calculated in accordance with Article 14a(2) of this Regulation. Financial market participants shall indicate if the data on the investee companies' GHG removals or the purchase of carbon credits or on both are not readily available and include details of the best efforts used to obtain the information either directly from investee companies, or by carrying out additional research, cooperating with third party data providers or external experts or making reasonable assumptions. Financial market participants shall disclose the share of the investments for which the data are available. For financial products referred to in Article 9(3) of Regulation (EU) 2019/2088 whose investment objective is to use* *an EU Climate Transition Benchmarks or an EU Paris-aligned Benchmark as defined in Article 3, points (23a) and (23b) of Regulation (EU) 2016/1011 do not include any subsequent question related to the topic below and proceed to the next section 'What investment strategy does this product follow?']*

[include only for financial products that have a GHG emission reduction target] **Information on progress towards the target will be available in the periodic reports** *[add link to periodic reports where available]* **and additional details are available here** *[add link to website].*

	[Baseline year]	*[Date of expected achievement of first intermediate target]*	*[Add columns for other intermediate targets]*	*[Date of expected achievement of the final target]*
GHG emission reduction targets (tCO_2-eq/€M)	*[GHG emissions in tCO_2-eq/€M~~, not including carbon removals and storage and credits~~]*			
GHG removals and storage (tCO_2-eq/€M) *[include row where relevant]*				
Carbon credits used by investee companies and/or purchased by the financial market participant (tCO_2-eq/€M) *[include row where relevant]*				

Does the greenhouse gas emission reduction target aim to limit global warming to 1.5 °C? *For financial products referred to in Article 9(3) of Regulation (EU) 2019/2088 whose investment objective is to use an EU Climate Transition Benchmarks or an EU Paris-aligned Benchmark as defined in Article 3, points (23a) and (23b) of Regulation (EU) 2016/1011 do not include any subsequent question related to the topic below and proceed to the next section 'What investment strategy does this product follow?']*

- Yes: *[if yes, describe the methodology used to assess if the target aims to limit global warming to 1.5 °C]*
- No *[if no, include the following text "The target of this financial product is not compatible with the objective to limit global warming to 1.5 °C."]*
- Not Assessed. *[If the alignment of the target was not assessed, include the following text "The degree of alignment of this financial product with the objective to limit global warming to 1.5 degree Celsius was not assessed. The target of this financial product may not be compatible with the objective to limit global warming to 1.5 °C."]*

What investment strategy does this product follow? *[provide a description of the investment strategy and indicate how the strategy is implemented in the investment process on a continuous basis]*

Commenté [A39]: We advise to clarify what is intended here: the financial elements of the investment strategy or the extra-financial elements of the investment strategy or both. Indeed, we have had contradictory requirements in different European jurisdictions, which has been preventing us to implement the templates in an harmonized way across the different EU jurisdictions in which we operate.

a mis en forme : Retrait : Gauche : 5,55 cm, Espace Avant : 6,5 pt

The investment strategy guides investment decisions based on factors such as investment objectives and how much risk can be taken.

What ~~commitments are made i~~are the binding elements of the investment strategy~~-~~ of the product~~regarding the product's sustainable investments~~?

How is it assessed whether the companies which are invested in follow good governance practices, such as tax compliance or employee matters? *[include a short description of the policy to assess good governance practices of the investee companies]*

What investments are not sustainable, what is their purpose and are there any minimum environmental or social safeguards? *[describe the purpose of the remaining proportion of the investments of the financial product, including a description of any minimum environmental or social safeguards, how their proportion and use does not affect the delivery of the sustainable investment objective on a continuous basis and whether those investments are used for hedging or relate to ancillary liquidity. In case of a product implementing the PAB/CTB methodology additional information may be provided in this respect]*

Commenté [A40]: We suggest to clarify this language in line with the q&a of the European commission of july 2021

Asset allocation describes the share of investments in specific assets.

What is the asset allocation and the minimum share of sustainable investments?

~~[include a narrative explanation of the investments of the financial product including the minimum proportion of the investments of the financial product used to meet the sustainable investment objective in accordance with the binding elements of the investment strategy the minimum proportion of sustainable investments and the link towards the single webpage detailed information about the methodology used, covering the output level of the analysis (pass/fail company-level approach or proportion of the analysis, measured on Revenues/Capex/Opex), the key performance indicators used to determine the positive contribution criteria including their inclusion thresholds (e.g. EU Taxonomy alignment, other activity-based alignment framework, company-level net-zero alignment, other activity-level or company-level KPI evidencing significant positive contribution, etc.), [for DNSH, it is described in the question below]~~

- ***What is the minimum proportion of the sustainable investment of the financial product?***

- ***What is the methodology used to qualify investments as Sustainable?*** *[include only ~~a narrative explanation of the investments of the financial product including the the minimum proportion of sustainable investments and~~ the link towards the single webpage where there is detailed information about the methodology used, covering the output level of the analysis (pass/fail company-level approach or proportion of the analysis, measured on Revenues/Capex/Opex), the key performance indicators used to determine the positive contribution criteria including their inclusion thresholds (e.g. EU Taxonomy alignment, other activity-based alignment framework, company-level net-zero alignment, other activity-level or company-level KPI evidencing significant positive contribution, etc.), [for DNSH, it is described in the question below]]*

- ***How do sustainable investments not cause significant harm to any environmental or social sustainable investment objective*** ?

  - *How are the indicators to assess the most significant negative impacts of the investments on the environment and the society taken into account for this assessment?* *[explain how the indicators for adverse impacts in Table 1 of Annex I and any relevant indicators in Tables 2 and 3 of Annex I are taken into account. If the financial product uses thresholds to determine that sustainable investments do not significantly harm any environmental or social objective under the PAI indicators in Annex I of this Regulation, provide a concise explanation of how they were determined and provide a hyperlink to the section on the website where further explanations and the thresholds are disclosed.]*

  - *How are the sustainable investments consistent with relevant international standards?* *[include an explanation on the alignment with the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights, including the principles and rights set out in the eight fundamental conventions identified in the Declaration of the International Labour Organisation on Fundamental Principles and Rights at Work and the International Bill of Human Rights]*

Commenté [A41]: The market practice is to mention the level of SI, this KPI is not relevant. This is, in addition not really in line with the line by line approach of an article 9 product (100% SI). The sustainable investment concept as defined in the article 2.17 is an intrinsic characteristics of a given issuer and thus cannot vary depending on the binding elements of a given strategy.

a mis en forme : Police :Gras, Italique

a mis en forme : Police :Calibri, 11 pt, Gras, Italique, Non Étendu de/ Condensé de

a mis en forme : Police :Gras, Italique

a mis en forme : Retrait : Gauche : 1,27 cm, Sans numérotation ni puces

a mis en forme : Police :Italique

a mis en forme : Police :9 pt, Italique, Couleur de police : Rouge foncé

a mis en forme : Paragraphe de liste, Droite : 1,38 cm, Espace Avant : 0 pt, Interligne : simple, Liste à images de puces + Niveau : 1 + Alignement : 0,63 cm + Tabulation après : 1,27 cm + Retrait : 1,27 cm

Commenté [A42]: The market practice is to mention the level of SI, this KPI is not relevant. This is, in addition not really in line with the line by line approach of an article 9 product (100% SI). The sustainable investment concept as defined in the article 2.17 is an intrinsic characteristics of a given issuer and thus cannot vary depending on the binding elements of a given strategy.

a mis en forme : Police :9 pt, Italique

a mis en forme : Retrait : Gauche : 1,27 cm, Sans numérotation ni puces

Commenté [A43]: This question should be a sub-question of the one related to the methodology of sustainable investment.

a mis en forme : Police :Gras, Italique

a mis en forme : Paragraphe de liste, Gauche, Liste à images de puces + Niveau : 1 + Alignement : 0,63 cm + Tabulation après : 1,27 cm + Retrait : 1,27 cm *[include note only for the financial products referred to in Article 5, first paragraph, of Regulation (EU) 2020/852]*

To comply with the EU Taxonomy, the criteria for **fossil gas** include limitations on emissions and switching to renewable power or low-carbon fuels by the end of 2035. For **nuclear energy**, the criteria include comprehensive safety and waste management rules.

[include note only for financial products referred to in Article 5, first paragraph, of Regulation (EU) 2020/852

EU Taxonomy-aligned activities are expressed as a share of:
- **turnover** reflecting the share of revenue from green activities of investee companies
- **capital expenditure** (CapEx) showing the green investments made by investee companies, e.g. for a transition to a green economy.
- **operational expenditure** (OpEx) reflecting green operational activities of investee companies.

the use of derivatives contribute to the sustainable investment objective? *[for financial product that use derivatives as defined in Article 2(1), point (29), of Regulation (EU) No 600/2014 to attain their sustainable investment objective, describe how the use of those derivatives attains that sustainable investment objective]*

~~How do sustainable investments not cause significant harm to any environmentalor social sustainable investment objective?~~

~~How are the indicators to assess the most significant negative impacts of the investments on the environment and the society taken into account for this assessment?~~ ~~[explain how the indicators for adverse impacts in Table 1 of Annex I and any relevant indicators in Tables 2 and 3 of Annex I are taken into account. If the financial product uses thresholds to determine that sustainable investments do not significantly harm any environmental or social objective under the PAI indicators in Annex I of this Regulation, provide a concise explanation of how they were determined and provide a hyperlink to the section on the website where further explanations and the thresholds are disclosed.]~~

~~Link where detailed information is provided:~~

~~How are the sustainable investments consistent with relevant internationalstandards?~~ *~~[include an explanation on the alignment with the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights, including the principles and rights set out in the eight fundamental conventions identified in the Declaration of the International Labour Organisation on Fundamental Principles and Rights at Work and the International Bill of Human Rights]~~*

What is the minimum proportion of EU Taxonomy investments? *[include the section for financial products referred to in Article 5, first paragraph, of Regulation (EU) 2020/852 even if the taxonomy alignment minimum commitment figure is 0% and include the graphical representation referred to in Article 19(1), point (a), of this Regulation, the description referred toin Article 19(1), point (b), of this Regulation, the clear explanation referred to in Article 19(1), point (c), of this Regulation, the narrative explanation referred to in Article 19(1), point (d), of this Regulation]*

Does the product commits to investing in fossil gas and/or nuclear energy related activities thatcomply with the EU Taxonomy[1]?

☐ Yes: *[specify below, and details in the graphs of the box]*

☐ In fossil gas ☐ In nuclear energy

☐ No, the product does not commit to investing in such activities, however, the product can invest in such activities

[1] Fossil gas and/or nuclear related activities will only comply with the EU Taxonomy where they contribute to limiting climate change ("climate change mitigation") and do not significantly harm any EU Taxonomy objectives - see explanatory note in the left hand margin. The full criteria for fossil gas and nuclear energy economic activities that comply with the EU Taxonomy are laid down in Commission Delegated Regulation (EU) 2022/1214.

a mis en forme : Police :Italique

a mis en forme : Police :Italique, Couleur de police : Rouge foncé

a mis en forme : Police :9 pt, Italique, Couleur de police : Rouge foncé

a mis en forme : Police :9 pt, Italique

a mis en forme : Retrait : Gauche : 0 cm

a mis en forme : Justifié, Retrait : Gauche : 5,73 cm, Suspendu : 1,27 cm, Droite : 1,38 cm, Espace Avant : 4,75 pt

Commenté [A44]: This question should be a sub-question of the first question of the template which details the methodology of sustainable investment.

Commenté [A45]: There is regulatory divergence in the implementation of this question, that is the reason why we have modified the text.

a mis en forme : Retrait : Gauche : 6,35 cm, Première ligne : 1,27 cm

Commenté [A46]: This precision is hugely important to ensure a harmonized application across jurisdictions about how to signal to clients that a product can invest in some types of assets while not committing to investing a minimum proportion.

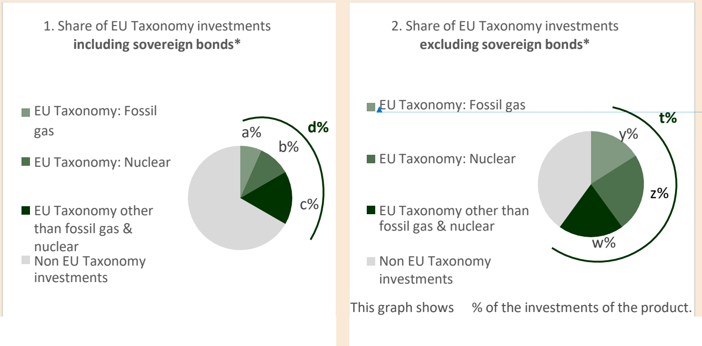
[include note for the financial products referred to in Article 5, first paragraph, of Regulation (EU) 2020/852.

Enabling activities directly enable other activities to make a substantial contribution to an environmental objective.

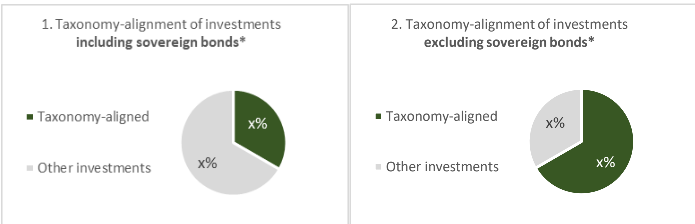
Transitional activities are activities for which low-carbon alternatives are not yet available and among others have greenhouse gas emission levels corresponding to the best performance.

The two graphs below show in green the minimum percentage of EU Taxonomy investments. As there is no appropriate way to determine if sovereign bonds* meet the criteria of the EU Taxonomy, the first graph shows the share of EU Taxonomy investments in relation to all investments of the product including sovereign bonds, while the second graph shows the share of EU Taxonomy investments in relation only to the investments of the product other than sovereign bonds.

[only include in the graphs the figures for EU Taxonomy aligned fossil gas and/or nuclear energy as well as the corresponding legend and the explanatory text in the left hand margin if the financial product makes investments in fossil gas and/or nuclear energy EU Taxonomy-aligned economic activities]



**** For the purpose of these graphs, 'sovereign bonds' consist of all sovereign exposures.***



What is the minimum share of investments in transitional and enabling activities?

[include section for the financial products referred to in Article 5, first paragraph, of Regulation (EU) 2020/852]

~~**What is the minimum share of sustainable investments with an environmental objective that do not meet the criteria of the EU Taxonomy?**~~

~~*[include section only for the financial products referred to in Article 5, first paragraph, of Regulation (EU) 2020/852 where the financial product invests in environmental economic activities that are not environmentally sustainable economic activities and explain why the financial product invests in sustainable investments with an environmental objective in economic activities that are not EU Taxonomy-aligned]*~~

[include note for financial products referred to in Article 5, first paragraph, of Regulation (EU) 2020/852 that invest in environmental economic activities that are not environmentally sustainable economic

~~**What is the minimum share of socially sustainable investments?**~~ ~~*[include section*~~

a mis en forme : Français (France)

Commenté [A47]: It should be clarified that the former version of the graphs could be used in case of no commitments to invest in fossil gas and nuclear energy activities aligned with taxonomy

a mis en forme : Taquets de tabulation : 6,48 cm,Gauche

a mis en forme : Titre 2, Droite : 1,39 cm, Espace Avant : 2,6 pt, Interligne : Multiple 1,01 li

Commenté [A48]: We advise against introducing the notion of sustainable investments with an environmental objective that are not aligned with the EU Taxonomy, and especially against the notion of "minimum" commitment on this indicator.
First, the notion itself lacks definition and is confusing as it brings together two notions "sustainable investments" and "EU Taxonomy alignment" that are distinct (see answer to question 33 of the consultation).
Second, as usual in precontractual documentation, the term "minimum" means that the proportion must be respected at all times. Now, in this case, we can breach this "minimum" proportion either because we do not have enough sustainable investments mapped to an E objective, or because we have too much (!) Taxonomy aligned investments. Committing to a minimum proportion here would entail that there will be cases, for instance when companies will start reporting their Taxonomy alignment, where we will have to sell companies because their Taxonomy-alignment has increased and that this has led to a breach of this ratio. This is of course contrary to what we want to do and to the very objective of the regulatory framework that aims to foster capital reallocation within the EU towards to finance a more sustainable economy.
For the sake of transparency, we suggest that, in the question where we describe the Sustainable Investments methodology, we disclose clearly (as proposed above) the criteria used to qualify the positive contribution of the investment to an E or S objective, especially for those pathways that are used in addition to the EU Taxonomy framework.
More detailed elements on this position is available in the answer to question n°33.

~~only where the financial product includes sustainable investments with a social objective]~~

~~What investments are not sustainable, what is their purpose and are there any minimum environmental or social safeguards?~~ *~~[describe the purpose of the remaining proportion of the investments of the financial product, including a description of any minimum environmental or social safeguards, how their proportion and use does not affect the delivery of the sustainable investment objective on a continuous basis and whether those investments are used for hedging or relate to cash held as ancillary liquidity]~~*

Commenté [A49]: We advise that splitting sustainable investments (SI) into SI-E and SI-S does not bring additional clarity to clients.
Article 8 products, when committing to investing a minimum share of their assets in Sustainable Investments are building a Sustainable Investments pocket which is most often agnostic in terms of objective. Thus, the same remark as for the breakdown of Taxonomy holds, that is, financial products should be able to take a commitment on Sustainable Investments without having to explain the breakdown between SI-E and SI-S.
In addition the split between SI-E and SI-S is not a notion that is used in the regulation implemented by distributors (MIFID II / IDD); thus, it brings an additional layer of complexity in a topic that is already too complex for retails clients. We think that the additional complexity brought by this split significantly overweight the potential benefits in terms of transparency that it brings.

Commenté [A50]: We would suggest to move this question in the section about the investment strategy followed by the financial product

Is a specific index used as a reference benchmark~~ and how is the benchmark monitored to ensure consistency with the sustainable invesment objective of the product~~? *[include section only for the financial products using a reference benchmark to attain the sustainable investment objective~~referred to in Article 9(1) of Regulation (EU) 2019/2088. Specify how the reference benchmark takes into account sustainability factors in a way that is continuously aligned with the sustainable investment objective. Specify how is the alignment of the investmentstrategy with the methodology of the index ensured on a continuous basis and indicate where the methodology used for the calculation of the designated index can be found~~]*

[include note for financial products where an index has been designated as a reference benchmark for the purpose of attaining the environmental or social characteristics promoted by the financial product]

Reference benchmarks are indexes to show how well a product performs compared to an index with similar objectives or features.

- ***How the index is continuously aligned with the sustainable investment objective of the financial product? And if this can't be guaranteed, explain how the financial product intends to be consistent with the sustainable investment objective.***
- ***How is the alignment of the investment strategy with the methodology of the index ensured on a continuous basis and indicate where the methodology used for the calculation of the index can be found?***
- ***How does the index used differ from a relevant broad market index?***

Commenté [A51]: Why it is excluded to mention product compliant with the 9.3 of SFDR? It should be included if an index is used.

Commenté [A52]: To ensure the lisibility of the template and the comparability , we advise to modify the presentation of the questions that need to be answered.

a mis en forme : Police :Gras, Italique

a mis en forme : Police :Gras

a mis en forme : Police :Gras, Italique

a mis en forme : Paragraphe de liste, Liste à images de puces + Niveau : 1 + Alignement : 0,63 cm + Tabulation après : 1,27 cm + Retrait : 1,27 cm

Where can I find more product specific information online?

More product-specific information can be found on the website: *[include a hyperlink to the website referred to in Article 37 of this Regulation]*

ANNEX IV

Template periodic disclosure for the financial products referred to in Article 8, paragraphs 1, 2 and 2a, of Regulation (EU) 2019/2088 and Article 6, first paragraph, of Regulation (EU) 2020/852

Product name: [complete] **Legal entity identifier:** [complete]

Reference period: [add reference period]

Periodic information: Environmental and/or social characteristics

~~[delete environmental or social if not applicable]~~

Sustainable investments contribute to an environmental or social objective and do not cause significant harm to environment and society.

The **EU Taxonomy** defines **environmentally sustainable economic activities according to specific criteria**. Not all sustainable investments with an environmental objective meet the EU Taxonomy criteria.

This product has some sustainability characteristics, but does not have a sustainable investment objective.

~~*[in this box include the environmental and/or social characteristic(s) promoted by the product and the [X]% of the product's investments that promote those characteristics – 250 characters limit with spaces]*~~

[if q%>0 use green icon and text:] This product made [q]% sustainable investments [if q%=0 use grey icon, remove green box on the right and use text:] This product did not make sustainable investments.

q%

[if r%>0 use dark green icon and text:] This product made [r]% EU taxonomy investments [r calculated according to Article 17 of this Regulation] [if r%=0 use grey icon, remove dark green box on the right and use text:] This product did not make EU taxonomy investments.

r%

This product considered the most significant negative impacts of its investments on the environment and society. *[use grey icon, and "did not consider" instead of "considered" where the product does not]*

This product targets a reduction of____% of greenhouse gas emissions in the atmosphere by ___[*mention date of the achievement of the target]. [remove this statement and icon where the product does not have a decarbonisation target]*

To what extent were the environmental and/or social characteristics of this product met? *[list the environmental and/or social characteristics promoted by the financial product. ~~For the financial products referred to in Article 6, first paragraph, of Regulation (EU) 2020/852, in respect of sustainable investments with environmental objectives, list the environmental objectives set out in Article 9 of that Regulation to which the sustainable investment underlying the financial product contributed. For financial products that made sustainable investments with social objectives, list the social objectives]~~*

- ***How did the indicators measuring ~~each of the~~the attainment of environmental or socialcharacteristics perform?***

- ***…and compared to previous periods?*** *[include for products where at least one previous periodic report was provided]*

Commenté [A53]: Box n°1: no remark
Box n°2:
-We Advise to remove the summary description of the E/S characteristics as it is the same as the one described directly below and stakeholders (clients, regulators, etc.) are complaining about the length of the templates, hence the need not to repeat information so many times. In addition it is a heavy administrative burden for FMPs.
-We advise to remove the notion of the % of the product investments that promote those characteristics, be it in terms of minimum or observed percentage. Indeed, this notion leads to confusion from clients as they will expect that products with a higher ratio will be "more" ESG than products with a lower ratio, whereas the level of the ratio has nothing to do with the stringency of the sustainability criteria. More detailed justification for this position will be provided in the answer to question n°33.
Box n°3 and 4: no remark on the pictograms and sentences. However, R is not included within Q so we advise to remove the inclusion sign. More information on this position will be provided in the answer to question n°3.
Box n°5: no remark
Box n°6: We advise to precise the KPI used to measure GHG emissions reduction targets. What about letting the possibility to disclose an emission reduction compared to a reference universe?

Commenté [A54]: We do not advise to split E and S as most financial products promoting extra-financial characteristics do so through the application of binding criteria based on ESG factors.

Commenté [A55]: This should be included in the Taxonomy regulation question.

Commenté [A56]: This question should be included in the sustainable investments question.

What investments are not in line with the product's environmental or social characteristics, what was their purpose and were there any minimum environmental or social safeguards? *[include information referred to inArticle 56a of this Regulation]*

~~***This product made [x]% of sustainable investments. What were the objectives of the sustainable investments?*** *[include for products that made sustainable investments, wherenot included in the reply to the above question, describe the objectives. Describe how the sustainable investments contributed to the sustainable investment objective. For the financial products referred to in Article 6, first paragraph, of Regulation (EU) 2020/852, list the environmental objectives set out in Article 9 of that Regulation to which the sustainable investment underlying the financial product contributed]*~~

[include section if the financial product considered PAI]

Principal adverse impacts are the most significant negative impacts on the environment and society including employee matters, human rights, corruption and bribery.

How did this product consider the most significant negative impacts of its investments on the environment and society (principal adverse impacts)? *[include section if the financial product considered principal adverse impacts on sustainability factors]*

[include only for financial products that have a GHG emission reduction target]

Greenhouse gases (GHG) are those gases, including carbon dioxide, that are responsible for the "greenhouse effect". The increased concentration of these gases in the atmosphere is the cause of global warming.

How much progress was achieved towards the product greenhouse gases (GHG) emission reduction target? *[only include if the product's pre-contractual disclosures included a GHG emission reduction target in accordance with Article 14a(1) of this Regulation. Fill in the table below with data from the pre-contractual disclosure and with measurements of progress to date, when available. If target(s) have not been met, provide an explanation and specify the actions planned to meet the target.*

Where information on investee companies' progress as regards GHG removals and storage or carbon credits is not readily available, financial market participants shall provide details of the best efforts used to obtain the information either directly from investee companies, or by carrying out additional research, cooperating with third party data providers or external experts or making reasonable assumptions and indicate that such information is not available.]

Commenté [A57]: The regulatory ask needs to explicitly allow to use a combination of factors (a, b, c) to achieve the reduction in GHG emissions. We cannot attribute ex post either the target reduction to each of the factors (e.g. we cannot quantitatively measure the impact of engagement; it is not desirable to attribute the reduction in GHG emissions of the product to the underlying factors (a) divestment from GHG intensive companies or (b) investment in companies with GHG emissions reduction targets. We believe that the added complexity far outweighs the benefits of the added transparency).

This product is not aiming at limiting global warming to 1.5 °C

	[Baseline year]	Progress made [Add a column for previous reporting period with data available]	Progress made [current reporting period]	[Date of expected achievement of intermediate target 1]	[Add columns for other intermediate targets]	[Date of expected achievement of the final target]
GHG emission reduction targets (tCO_2-eq/€M)	[Pre-contractual disclosure - Baseline GHG emissions in tCO_2-eq/€M, ~~not including GHG removals and storage and carbon credits]~~	[disclose progress made towards the GHG emissions reduction targets (tCO_2-eq/€M) and any difference between the	[disclose progress made towards the GHG emissions reduction targets (tCO_2-eq/€M) and any difference between the	[Pre-contractual disclosure – percentage of the GHG emission reduction intermediate target]		[Pre-contractual disclosure – percentage of the GHG emission reduction final target]

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[include only for financial products that have a GHG emission reduction target
Information to better understand the level of ambition and scope of the target can be found on the website *[add links to* "GHG emission reduction target" section of the *website]*.

		target set for the reporting period and progress made]	*target set for the reporting period and progress made]*			
~~GHG removals and storage (tCO₂-eq/€M)~~ ~~*[include row where relevant]*~~	~~*Baseline GHG emissions*~~	~~*[Progress made in terms of GHG removals used (tCO₂-eq/€M) [include row where relevant]*~~	~~*[Progress made in terms of GHG removals used (tCO₂-eq/€M) [include row where relevant]*~~	~~*[Pre-contractual disclosure]*~~	~~*[Pre-contractual disclosure]*~~	~~*[Pre-contractual disclosure]*~~
~~Carbon credits used by investee companies and/or purchased by the financial market participant (tCO₂-eq/€M)~~ ~~*[include row where relevant]*~~	~~*Baseline GHG emissions*~~	*[Progress* ~~*made in terms of carbon credits used by investee companies and/or purchased by the financial market participant (tCO₂-eq/€M) – include row where*~~ *relevant]*	*[Progress* ~~*made in terms of carbon credits used by investee companies and/or purchased by the financial market participant (tCO₂-eq/€M) – include row where*~~ *relevant]*	*[Pre-* ~~*contractual disclosure]*~~	*[Pre-* ~~*contractual disclosure]*~~	*[Pre-* ~~*contractual disclosure]*~~

~~***How did the implementation of the investment strategy contribute to the achievement of the target?***~~ ~~*[indicate how the investment strategy was implemented, explain any obstacle encountered and the extent to which it hampered progress towards the target(s). Describe any change made to the investment strategy over the last reporting period.]*~~

Commenté [A58]: The question too theoretical and may be difficult to implement and not so readable for the end investor.

What were the largest investments of this product?

Largest investments during:[*reference period*]	**Sector**	**% Assets**	**Country**

What was the proportion of investments that promote environmental and/or social characteristics?

Asset allocation describes the share of investments in specific assets.

~~*What was the asset allocation?* [include information referred to in Article 53 of this Regulation].~~

In which economic sectors were the investments made? [include information referred to in Article 54 of this Regulation]

This product made [x]% of sustainable investments~~*. What were the objectives of the sustainable investments*~~*?* [include for products that made sustainable investments and ~~describe~~ give the link to the website where the methodology used to identify a sustainable investment is detailedt. ~~For the financial products referred to in Article 6, first paragraph, of Regulation (EU) 2020/852, list the environmental objectives set out in Article 9 of that Regulation to which the sustainable investment underlying the financial product contributed].~~

For actively managed products that commit to making sustainable investments, include the percentage of sustainable investment proportion of an indicative and relevant reference universe using the same methodology than the one of the financial market participant.

With regards to sustainable investments, how did they not cause significant harm to any environmental or social sustainable investment objective? [include where the financial product includes sustainable investments]

How have the indicators to assess the most significant negative impacts of the investments on the environment and society been taken into account for this assessment?

[explain how the indicators for adverse impacts in Table 1 of Annex I and any relevant indicators in Tables 2 and 3 of Annex I were taken into account. If the financial product used thresholds to determine that sustainable investments did not significantly harm any environmental or social objective under the PAI indicators in Annex I of this Regulation, provide a concise explanation of how they were determined and provide a hyperlink to the section on the website where further explanations and the thresholds are disclosed.]

Link where detailed information is provided:

Were sustainable investments consistent with the relevant international standards? Details: *[include an explanation on the alignment with the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights, including the principles and rights set out in the eight fundamental conventions identified in the Declaration of the International Labour Organisation on Fundamental Principles and Rights at Work and the International Bill of Human Rights]*

Commenté [A59]: . See question 31 & 31. We advise to delete the notion of E/S characteristics as this indicator is misleading. Moreover, the performance of the binding elements of the product through which E/S characteristics are promoted is already disclosed previously in the template. In addition, the notion of "share of investments" relevant for each binding element is disclosed through the concept of coverage rate of each sustainability indicator (binding element).

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a mis en forme : Retrait : Gauche : 5,08 cm

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a mis en forme : Police :9 pt, Italique, Couleur de police : Rouge foncé

a mis en forme : Paragraphe de liste, Retrait : Gauche : 5,71 cm, Liste à images de puces + Niveau : 1 + Alignement : 0,63 cm + Tabulation après : 1,27 cm + Retrait : 1,27 cm, Taquets de tabulation : 6,35 cm, Tabulation de liste + Pas à 1,27 cm

Commenté [A60]: It should be made in the taxonomy question

a mis en forme : Retrait : Première ligne : 0 cm

a mis en forme : Retrait : Gauche : 5,71 cm, Taquets de tabulation : 6,35 cm, Tabulation de liste + Pas à 1,27 cm

a mis en forme : Police :9 pt, Italique

a mis en forme : Paragraphe de liste, Liste à images de puces + Niveau : 1 + Alignement : 0,63 cm + Tabulation après : 1,27 cm + Retrait : 1,27 cm *[include note only for the financial products referred to in Article 6, first paragraph, of Regulation (EU) 2020/852]*

To comply with the EU Taxonomy, the criteria for **fossil gas** include limitations on emissions and switching to fully renewable power or low-carbon fuels by the end of 2035. For **nuclear energy**, the criteria include comprehensive safety and waste management rules.

[Include a statement for the financial products referred to in Article 6, first paragraph, of Regulation (EU) 2020/852]

The EU Taxonomy sets out a "do not significant harm" principle by which Taxonomy-aligned investments should not significantly harm EU Taxonomy objectives and is accompanied by specific Union criteria.

The "do no significant harm" principle applies only to those investments underlying the financial product that take into account the EU criteria for environmentally sustainable economic activities. The investments underlying the remaining portion of this financial product do not take into account the EU criteria for environmentally sustainable economic activities.

Any other sustainable investments must also not significantly harm any environmental or social objectives.

[include note for the financial products referred to in Article 6, first paragraph, of Regulation (EU) 2020/852

EU Taxonomy-aligned activities are expressed as a share of:

- **turnover** reflecting the share of revenue from green activities of investee companies.
- **capital expenditure** (CapEx) showingthe green investments made by investee companies, e.g. for a transition to a green economy.
- **operational expenditure** (OpEx) reflecting green operational activities of investee companies.

What was the proportion of EU Taxonomy investments? *[include section for the products referred to in Article 6 , first paragraph, of Regulation (EU) 2020/852 and include information in accordance with Article 55 of this Regulation]*

Did the product invest in fossil gas and/or nuclear energy related activities complying with the EU Taxonomy[1]?

Yes: *[specify below, and details in the graphs of the box]*

In fossil gas   In nuclear energy

No

Commenté [A61]: It is important to clarify in the graph below that in case of no investments in fossil gas and/or nuclear energy EU Taxonomy-aligned economic activities or in case of no data available in this respect the old version of the graph could be used as mentioned by the ESA in the final report.

[1] Fossil gas and/or nuclear related activities will only comply with the EU Taxonomy where they contribute to limiting climate change ("climate change mitigation") and do not significantly harm any EU Taxonomy objective - see explanatory note in the left hand margin. The full criteria for fossil gas and nuclear energy economic activities that comply with the EU Taxonomy are laid down in Commission Delegated Regulation (EU) 2022/1214.

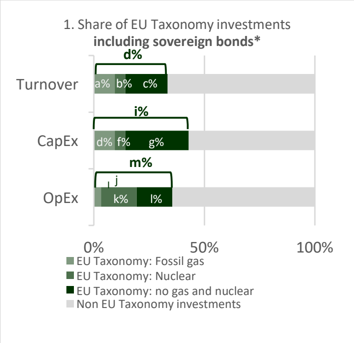
[include note for the financial products referred to in Article 6, first paragraph, of Regulation (EU) 2020/852.

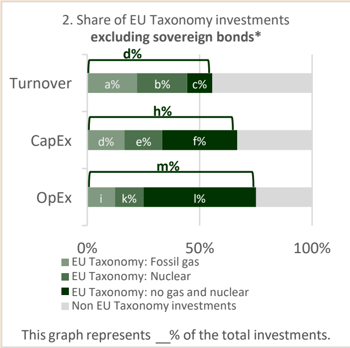
Enabling activities directly enable other activities to make a substantial contribution to an environmental objective

Transitional activities are activities for which low-carbon alternatives are not yet available and among others have greenhouse gas emission levels corresponding to the best performance.

The two graphs below show in green the percentage of EU Taxonomy investments. As there is no appropriate way to determine if sovereign bonds* meet the criteria of the EU Taxonomy, the first graph shows the share of EU Taxonomy investments in relation to all the investments of the financial product including sovereign bonds, while the second graph shows the share of EU Taxonomy investments in relation only to the investments of the financial product other than sovereign bonds.

***[Include information on EU Taxonomy aligned fossil gas and nuclear energy and the explanatory text in the left hand margin on the previous page only if the financial product invested in fossil gas and/or nuclear energy EU Taxonomy-aligned economic activities during the reference period]** If not, use the precedent version of the graphs*





**** For the purpose of these graphs, 'sovereign bonds' consist of all sovereign exposures.***

What was the share of investments made in transitional and enabling activities?
[include a breakdown of the proportions of investments during the reference period]

[include note for the financial products referred to in Article 6, first paragraph, of Regulation (EU) 2020/852 that invest in environmental economic activities that are not environmentally sustainable economic activities]

are sustainable investments with an environmental objective that **do not take into account the criteria** under the EU taxonomy.

How did the percentage of EU Taxonomy investments compare with previous reference periods? *[include where at least one previous periodic report was provided. For actively managed product, include the percentage of EU Taxonomy investment of an indicative and relevant reference universe]*

What was the share of sustainable investments with an environmental objective ~~that did not meet the criteria of the EU Taxonomy~~? *~~[include section only for the financial products referred to in Article 6, first subparagraph, of Regulation (EU) 2020/852 where the financial product included sustainable investments with an environmental objective that invested in economic activities that are not environmentally sustainable economic activities, and explain why the financial product invested in economic activities that were not EU Taxonomy-aligned]~~*

What was the share of socially sustainable investments? *~~[include only where the financial product included sustainable investments with a social objective]~~*

~~What investments are not in line with the product's environmental or social characteristics, what was their purpose and were there any minimum environmental or social safeguards?~~ *~~[include information referred to in Article 56a of this Regulation]~~*

Commenté [A62]: For the SI E non taxonomy aligned we strongly advise to discard the indicator (see question 33)

It is possible to disclose the share of SI E and SI S even though we do not think that it brings useful information to the client as the issuers may be E or S sustainable investments at the same time as a direct consequence of determining the positive contribution criteria through quantitative elements.

We advise that splitting sustainable investments (SI) into SI-E and SI-S does not bring additional clarity to clients.
Article 8 products, when committing to investing a minimum share of their assets in Sustainable Investments are building a Sustainable Investments pocket which is most often agnostic in terms of objective. Thus, the same remark as for the breakdown of Taxonomy holds, that is, financial products should be able to take a commitment on Sustainable Investments without having to explain the breakdown between SI-E and SI-S.
In addition the split between SI-E and SI-S is not a notion that is used in the regulation implemented by distributors (MIFID II / IDD); thus, it brings an additional layer of complexity in a topic that is already too complex for retails clients. We think that the additional complexity brought by this split significantly overweight the potential benefits in terms of transparency that it brings.

What actions have been taken to meet the environmental and/or social characteristics during the reference period? *[include the information referred to in Article 56b of this Regulation]*

How did this product ~~perform compared to the~~ using a reference benchmark ~~and how was the benchmark monitored to ensure consistency with the environmental and/or social characteristics of the product~~perform ? *[include section where an index has been designated as a reference benchmark for the purpose of attaining the environmental or social characteristics promoted by the financial product. ~~Specify how this financial product performed with regard to the sustainability indicators to determine the alignment of the reference benchmark with the environmental or social characteristics promoted, how this financial product performed compared with the reference benchmark and indicate where the methodology used for the calculation of the designated index can be found]~~*

[include note for financial products where an index has been designated as a reference benchmark for the purpose of attaining the environmental or social characteristics promoted by the financial product]
Reference benchmarks are indexes to see how well a product performs compared to an index with similar objectives or features.

- ***How does the reference benchmark differ from a broad market index?***

- ***How did this product using a reference benchmark perform compared with the broad market index?`***

Specify how the sustainability indicators of this financial product performed with regard to the sustainability indicators applied at the level of the broad market index.

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ANNEX V

Template periodic disclosure for the financial products referred to in Article 9, paragraphs 1 to 4a, of Regulation (EU) 2019/2088 and Article 5, first paragraph, of Regulation (EU) 2020/852

Product name: [complete] **Legal entity identifier:** [complete]

Reference period:
[add reference period]

Periodic information: Sustainable investment objective

Sustainable investments contribute to an environmental or social objective and do not cause significant harm to environment and society.

This product has sustainable investment as its objective.

~~[in this box include what was the product's sustainable investment objective – 250 characters limit with space]~~

This product made [q]% sustainable investments **q%**

[if r%>0 use dark green icon and text:] This product made [r]% EU taxonomy investments [r calculated according to Article 17 of this Regulation]
[if r%=0 use grey icon, remove dark green box on the right and use text:] This product did not make EU taxonomy investments. **r%**

This product considered the most significant negative impacts of its investments on the environment and society. *[use grey icon, and "did not consider" instead of "considered" where the product does not]*

This product targets a reduction of____% of greenhouse gas emissions in the atmosphere by either in absolute value or compared to a reference universe
[include this statement and icon where the product has a GHG emission reduction target that is not compatible with limiting global warming to 1.5 °C]
This product targets a reduction of greenhouse gas emissions in the atmosphere to limit global warming to 1.5 °C. *[include this statement and icon where the product has a GHG emission*

The **EU Taxonomy** defines **environmentally sustainable economic activities according to specific criteria**. Not all sustainable investments with an environmental objective meet the EU Taxonomy criteria.

To what extent was the sustainable investment objective of this product met?

[list the sustainable investment objective of this financial product and indicate whether a reference benchmark has been designated for the purpose of attaining the sustainable investment objective. ~~, and describe how the sustainable investments contributed to the sustainable investment objective. For the financial products referred to in Article 5, first paragraph, of Regulation (EU) 2020/852, in respect of sustainable investments with environmental objectives, indicate to which environmental objectives set out in Article 9 of Regulation (EU) 2020/852 to the investment underlying the financial product contributed to~~. For the financial products referred to in Article 9(3) of Regulation (EU) 2019/2088, indicate how the objective of a reduction in carbon emissions was aligned with the Paris Agreement]

- ***How did the indicators measuring the sustainable objectives of this financial product perform?***

- ***…and compared to previous periods?*** *[include for financial products where at least one previous periodic report was provided]*

Commenté [A63]: Box n°1: no remark
Box n°2:
-We Advise to remove the summary description of the sustainable investment objective as it is the same as the one described directly below and stakeholders (clients, regulators, etc.) are complaining about the length of the templates, hence the need not to repeat information so many times. In addition it is a heavy administrative burden for FMPs.
-We advise to introduce the possible to disclose that a product whose investment strategy is aligned with the PAB/CTB methodology is deemed to be an article 9. In such case, the question related to what is not sustainable shall be completed with information regarding the PAB/CTB methodology.

Box n°3 and 4: no remark on the pictograms and sentences. However, R is not included within Q so we advise to remove the inclusion sign. More information on this position will be provided in the answer to question n°3.
Box n°5: no remark
Box n°6: We advise to precise the KPI used to measure GHG emissions reduction targets. What about letting the possibility to disclose an emission reduction compared to a reference universe?

How did this product consider the most significant negative impacts of its investments on the environment and society (principal adverse impacts)?

[include section if the product considered principal adverse impacts on sustainability factors]

Principal adverse impacts are the most significant negative impacts on the environment and society including employee matters, human rights, corruption and bribery.

How much progress was achieved towards the product target of greenhouse gases (GHG) emission reduction?

[only include if the product's pre-contractual disclosures included a GHG emission reduction target in accordance with Article 14a(1) of this Regulation. Fill in the table below with data from the pre-contractual disclosure and with measurements of progress to date, when available. If target(s) have not been met, provide an explanation and specify the corrective actions planned to meet the target.

Where information on investee companies' progress as regards GHG removals and storage or carbon credits is not readily available, financial market participants shall provide details of the best efforts used to obtain the information either directly from investee companies, or by carrying out additional research, cooperating with third party data providers or external experts or making reasonable assumptions and indicate that such information is not available.

For financial products referred to in Article 9(3) of Regulation (EU) 2019/2088 whose investment objective is to track use an EU Climate Transition Benchmarks or an EU Paris-aligned Benchmark as defined in Article 3, points (23a) and (23b) of Regulation (EU) 2016/1011 , provide a hyperlink to information disclosed by the benchmark administrator according to Article 59a(2) of this Regulation. Do not include any subsequent question related to the topic below and proceed to the next section 'What were the largest investments of this product?']

[remove this box where the product has a Paris-aligned decarbonisation target] This product is not aiming at limiting global warming to 1.5 °C.

[include only for financial products that have a GHG emission reduction target] **Greenhouse gases (GHG)** are those gases, including carbon dioxide, that are responsible for the "greenhouse effect". The increased concentration of these gases in the atmosphere is the cause of global warming.

	[Baseline year]	Progress made *[Add a column for previous reporting period with data available]*	Progress made *[current reporting period]*	*[Date of expected achievement of intermediate target 1]*	*[Add columns for other intermediate targets]*	*[Date of expected achievement of the final target]*
GHG emission reduction targets (tCO_2-eq/€M)	*[Pre-contractual disclosure - Baseline GHG emissions in tCO_2-eq/€M~~, not including GHG removals and storage and carbon credits]~~*	*[disclose progress made towards the GHG emissions reduction targets (tCO_2-eq/€M) and any difference between the*	*[disclose progress made towards the GHG emissions reduction targets (tCO_2-eq/€M) and any difference between the*	*[Pre-contractual disclosure – percentage of the GHG emission reduction intermediate target]*		*[Pre-contractual disclosure – percentage of the GHG emission reduction final target]*

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a mis en forme : Retrait : Gauche : 0 cm

[include only for financial products that have a GHG emission reduction target
Information to better understand the level of ambition and scope of the target can be found on the 'GHG emission reduction target' section of the website *[add links to website]*.

		target set for the reporting period and progress made]	*target set for the reporting period and progress made]*			
GHG removals and storage (tCO_2-eq/€M) *[include row where relevant]*	*Baseline GHG emissions*	*[Progress made in terms of GHG removals used (tCO_2-eq/€M) [include row where relevant]*	*[Progress made in terms of GHG removals used (tCO_2-eq/€M) [include row where relevant]*	*[Pre-contractual disclosure]*	*[Pre-contractual disclosure]*	*[Pre-contractual disclosure]*
Carbon credits used by investee companies and/or purchased by the financial market participant (tCO_2-eq/€M) *[include row where relevant]*	*Baseline GHG emissions*	*[Progress made in terms of carbon credits used by investee companies and/or purchased by the financial market participant (tCO_2-eq/€M) - include row where relevant]*	*[Progress made in terms of carbon credits used by investee companies and/or purchased by the financial market participant (tCO_2-eq/€M) - include row where relevant]*	*[Pre-contractual disclosure]*	*[Pre-contractual disclosure]*	*[Pre-contractual disclosure]*

~~***How did the implementation of the investment strategy contribute to the achievement of the target?*** *[indicate how the investment strategy was implemented, explain any obstacle encountered and the extent to which it hampered progress towards the target(s). Mention any change made to the investment strategy over the last reporting period.]*~~

Commenté [A64]: This question is not clear and the achievement is disclosed in the chart.

What were the largest investments of this product?

Largest investments during: [*reference period*]	Sector	% Assets	Country

What was the proportion of sustainable investments?

Asset allocation describes the share of investments in specific assets.

- ***What was the asset allocation?*** *include information referred to in Article Article 61(a) and (b) of this Regulation] including the minimum proportion of sustainable investments and a link to the single webpage where there is the detailed information about the methodology used, covering the output level of the analysis (pass/fail company-level approach or proportion of the analysis, measured on Revenues/Capex/Opex), the key performance indicators used to determine the positive contribution criteria including their inclusion thresholds (e.g. EU Taxonomy alignment, other activity-based alignment framework, company-level net-zero alignment, other activity-level or company-level KPI evidencing significant positive contribution, etc.), [for DNSH, it is described in the question below]*

- ***How did the sustainable investments not cause significant harm to any sustainable investment objective?***

  How have the indicators to assess the most significant negative impacts of the investments on the environment and society been taken into account for this assessment? [explain how the indicators for adverse impacts in Table 1 of Annex I and any relevant indicators in Tables 2 and 3 of Annex I were taken into account. If the financial product used thresholds to determine that sustainable investments do not significantly harm any environmental or social objective under the PAI indicators in Annex I of this Regulation, provide a concise explanation of how they were determined and provide a hyperlinkto the section on the website where further explanations and the thresholds are disclosed.]

  Link where detailed information is provided:

  Were sustainable investments consistent with the relevant international standards? Details: [include an explanation on the alignment with the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights, including the principles and rights set out in the eight fundamental conventions identified in the Declaration of the International Labour Organisation on Fundamental Principles and Rights at Work and the International Bill of Human Rights]

[include note only for the financial products referred to in Article 5, first paragraph, of Regulation (EU) 2020/852

- ***In which economic sectors were the investments made?*** *[include information referred to in Article Article 61(c) of this Regulation]*

~~***How did the sustainable investments not cause significant harm to any sustainable investment objective?***~~

~~*How have the indicators to assess the most significant negative impacts of the investments on the environment and society been taken into account for this assessment? [explain how the indicators for adverse impacts in Table 1 of Annex I and any relevant indicators in Tables 2 and 3 of Annex I were taken into account. If the financial product used thresholds to determine that sustainable investments do not significantly harm any environmental or social objective under the PAI indicators in Annex I of this Regulation, provide a concise explanation of how they were determined and provide a hyperlinkto the section on the website where further explanations and the thresholds are disclosed.]*~~

~~*Link where detailed information is provided:*~~

~~*Were sustainable investments consistent with the relevant international standards? Details: [include an explanation on the alignment with the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights, including the principles and rights set out in the eight fundamental conventions identified in the Declaration of the International Labour Organisation on Fundamental Principles and Rights at Work and the International Bill of Human Rights]*~~

[include note for the financial products referred to in Article 5, first paragraph, of Regulation (EU) 2020/852.

To comply with the EU Taxonomy, the criteria for **fossil gas** include limitations on emissions and switching to fully renewable power or low-carbon fuels by the end of 2035. For **nuclear energy**, the criteria include comprehensive safety and waste management rules.

[include note for the financial products referred to in Article 5, first paragraph, of Regulation (EU) 2020/852.

Enabling activities directly enable other activities to make a substantial contribution to an environmental objective

Transitional activities are activities for which low-carbon alternatives are not yet available and among others have greenhouse gas emission levels corresponding to the best performance.

What was the proportion of EU taxonomy investments? *[include section for the financial products referred to in Article 5, first paragraph, of Regulation (EU) 2020/852 and include information in accordance with Article 62 of this Regulation]*

- **Did the product invest in fossil gas and/or nuclear energy related activities complying with the EU Taxonomy[72]?**

  Yes: *[specify below, and details in the graphs of the box]*

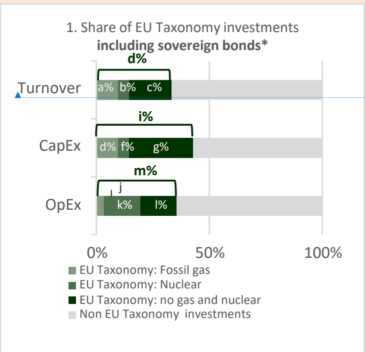
  In fossil gas   In nuclear energy

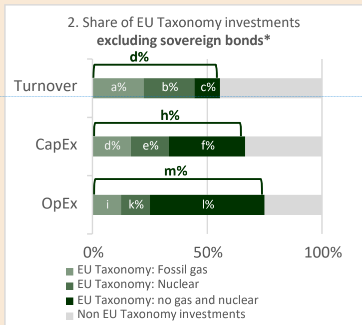
  No

Commenté [A65]: It is important to clarify in the graph below that in case of no investments in fossil gas and/or nuclear energy EU Taxonomy-aligned economic activities or in case of no data available in this respect the old version of the graph could be used as mentioned by the ESA in the final report.

The two graphs below show in green the percentage of EU Taxonomy investments. As there is no appropriate way to determine if sovereign bonds* meet the criteria of the EU Taxonomy, the first graph shows the share of EU Taxonomy investments in relation to investments of the financial product including sovereign bonds, while the second graph shows the share of EU Taxonomy investments in relation only to the investments of the financial product other than sovereign bonds.

[Include information on EU Taxonomy-aligned fossil gas and nuclear energy and the explanatory text in the left hand margin on the previous page only if the financial product invested in fossil gas and/or nuclear energy EU Taxonomy-aligned economic activities during the reference period]





This graph represents % of the total investments.

a mis en forme : Italien (Italie)

**** For the purpose of these graphs, 'sovereign bonds' consist of all sovereign exposures.***

- ***What was the share of investments made in transitional and enabling activities?*** *[include a breakdown of the proportions of investments during the reference period]*

[72] Fossil gas and/or nuclear related activities will only comply with the EU Taxonomy where they contribute to limiting climate change ("climate change mitigation") and do no significant harm to any EU Taxonomy objective - see explanatory note in the left hand margin. The full criteria for fossil gas and nuclear energy economic activities that comply with the EU Taxonomy are laid down in Commission

Delegated Regulation (EU) 2022/1214.

[include note for the financial products referred to in Article 5, first paragraph, of Regulation (EU) 2020/852 that invest in environmental economic activities that are not environmentally sustainable economic activities]

are sustainable investments with an environmental objective that **do not take into account the criteria** for environmentally sustainable economic activities under the EU Taxonomy.

How did the percentage of EU Taxonomy investments compare with previous reference periods? *[include where at least one previous periodic report was provided]*

What was the share of sustainable investments with an environmental objective ~~that did not meet the criteria of the EU Taxonomy~~? ~~*[include only for the financial products referred to in Article 5, first paragraph, of Regulation (EU) 2020/852 where the financial product included investments with an environmental objective that invested in economic activities that are not environmentally sustainable economic activities and explain why the financial product invested in economic activities that were not taxonomy-aligned]*~~

What was the share of socially sustainable investments? ~~*[include only where the financial product includes sustainable investments with a social objective]*~~

What investments were not sustainable, what was their purpose and were there any minimum environmental or social safeguards? *[include the information referred to in Article 62b]* *[describe the purpose of the remaining proportion of the investments of the financial product, including a description of any minimumenvironmental or social safeguards, how their proportion and use does not affect the delivery of the sustainable investment objective on a continuous basis and whether those investments are used for hedging or relate to ancillary liquidity. In case of a product implementing the PAB/CTB methodology additional information may be provided in this respect]*

What actions have been taken to attain the sustainable investment objective during the reference period? *[include the information referred to in Article 62c of this Regulation]*

How did this product using a reference benchmark perform ~~compared to the reference sustainable benchmark and how was the benchmark monitored to ensure consistency with the sustainable investment objective of the product?~~ ~~*[include section only for the financial products referred to in Article 9(1) of Regulation (EU) 2019/2088 and indicate where the methodology used for*~~ to an index with similar objectives ~~orfeatures.~~

[include note for the financial products referred to in Article 9(1) of Regulation (EU) 2019/2088]

Reference benchmarks are indexes to see how well a product performs compared

Commenté [A66]: We advise against introducing the notion of sustainable investments with an environmental objective that are not aligned with the EU Taxonomy, and especially against the notion of "minimum" commitment on this indicator.
First, the notion itself lacks definition and is confusing as it brings together two notions "sustainable investments" and "EU Taxonomy alignment" that are distinct (see answer to question 33 of the consultation).
Second, as usual in precontractual documentation, the term "minimum" means that the proportion must be respected at all times. Now, in this case, we can breach this "minimum" proportion either because we do not have enough sustainable investments mapped to an E objective, or because we have too much (!) Taxonomy aligned investments. Committing to a minimum proportion here would entail that there will be cases, for instance when companies will start reporting their Taxonomy alignment, where we will have to sell companies because their Taxonomy-alignment has increased and that this has led to a breach of this ratio. This is of course contrary to what we want to do and to the very objective of the regulatory framework that aims to foster capital reallocation within the EU towards to finance a more sustainable economy.
For the sake of transparency, we suggest that, in the question where we describe the Sustainable Investments methodology, we disclose clearly (as proposed above) the criteria used to qualify the positive contribution of the investment to an E or S objective, especially for those pathways that are used in addition to the EU Taxonomy framework.
More detailed elements on this position is available in the answer to question n°33.

Commenté [A67]: We advise that splitting sustainable investments (SI) into SI-E and SI-S does not bring additional clarity to clients.
Article 8 products, when committing to investing a minimum share of their assets in Sustainable Investments are building a Sustainable Investments pocket which is most often agnostic in terms of objective. Thus, the same remark as for the breakdown of Taxonomy holds, that is, financial products should be able to take a commitment on Sustainable Investments without having to explain the breakdown between SI-E and SI-S.
In addition the split between SI-E and SI-S is not a notion that is used in the regulation implemented by distributors (MIFID II / IDD); thus, it brings an additional layer of complexity in a topic that is already too complex for retails clients. We think that the additional complexity brought by this split significantly overweight the potential benefits in terms of transparency that it brings.

Commenté [A68]: We suggest to clarify this language in line with the q&a of the European commission of july 2021

~~How did this product perform compared to the reference sustainable benchmark and how was the benchmark monitored to ensure consistency with the sustainable investment objective of the product?~~ *~~[include section only for the financial products referred to in Article 9(1) of Regulation (EU) 2019/2088 and indicate where the methodology used for~~*

~~the calculation of the designated index can be found]~~

- ***How did the reference benchmark differ from a broad market index?***

- ***How did this product using a reference benchmark perform compared with the broad market index? Specify how the sustainability indicators of this financial product performed with regard to the sustainability indicators applied at the level of the broad market index.***