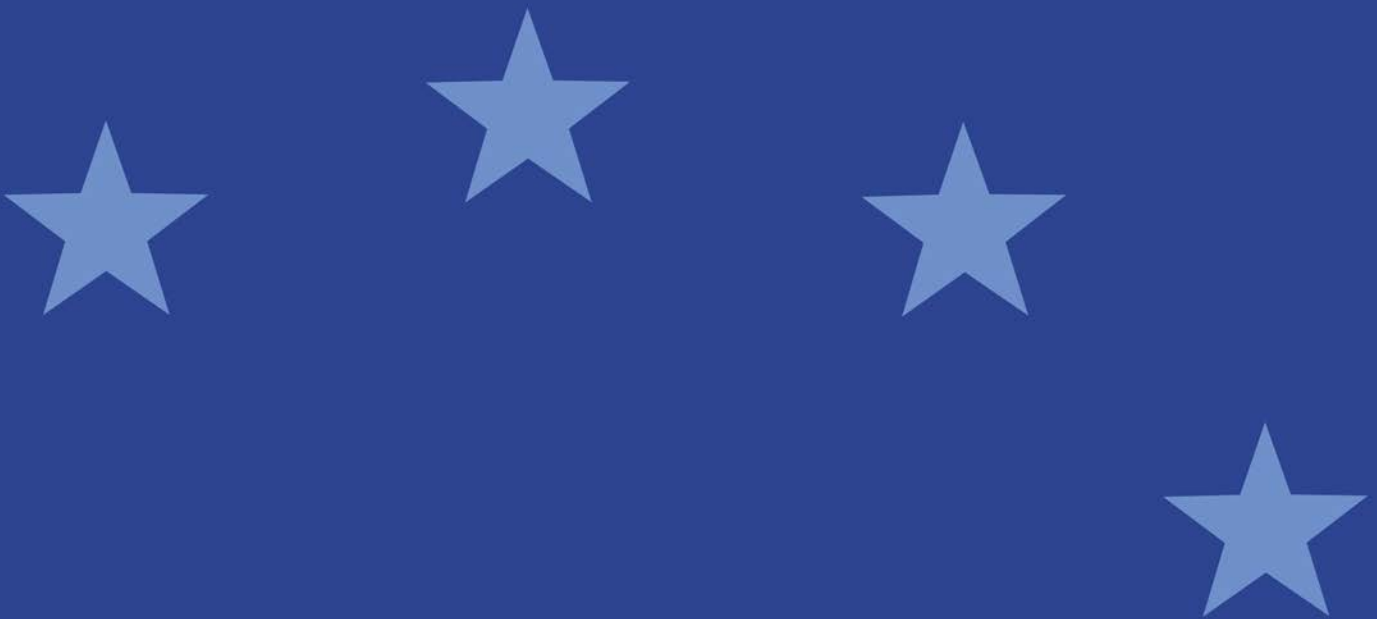




JOINT COMMITTEE OF THE EUROPEAN
SUPERVISORY AUTHORITIES

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





Responding to this paper

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

Comments are most helpful if they:

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

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

Instructions

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

- Insert your responses to the questions in the Consultation Paper in the present response form.
- Please do not remove tags of the type <ESA_QUESTION_ESG_1>. Your response to each question has to be framed by the two tags corresponding to the question.
- If you do not wish to respond to a given question, please do not delete it but simply leave the text “TYPE YOUR TEXT HERE” between the tags.
- When you have drafted your response, name your response form according to the following convention: ESA_ESG_nameofrespondent_RESPONSEFORM. For example, for a respondent named ABCD, the response form would be entitled ESA_ESG_ABCD_RESPONSEFORM.
- The consultation paper is available on the websites of the three ESAs and the Joint Committee. Comments on this consultation paper can be sent using the response form, via the [ESMA website](#) under the heading ‘Your input - Consultations’ by 12 May 2021.
- Contributions not provided in the template for comments, or after the deadline will not be processed.

Publication of responses

All contributions received will be published following the close of the consultation, unless you request otherwise in the respective field in the template for comments. A standard confidentiality statement in an email message will not be treated as a request for non-disclosure. A confidential response may be requested from us in accordance with ESAs rules on public access to documents. We may consult you if we receive such a request. Any decision we make not to disclose the response is reviewable by ESAs Board of Appeal and the European Ombudsman.

Data protection

The protection of individuals with regard to the processing of personal data by the ESAs is based on Regulation (EU) 2018/1725¹. 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	Finance Finland
Activity	Investment Services
Are you representing an association?	<input checked="" type="checkbox"/>
Country/Region	Finland

Introduction

Please make your introductory comments below, if any:

<ESA_COMMENT_ESG_1>

TYPE YOUR TEXT HERE

<ESA_COMMENT_ESG_1>

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

<ESA_QUESTION_ESG_1>

We support the approach to amend the SFDR RTS instead of drafting a new RTS for taxonomy-related disclosure. By using the same template, we believe that it will simplify the understanding for both the manufacturer and the investor.

However, the timing and sequencing of the taxonomy-related work risks to cause a double implementation effort, with additional costs and challenges for Financial Market Participants (FMPs). The taxonomy-related product disclosure will amend the regulatory technical standards (RTS) of the Sustainable Finance Disclosure Regulation (SFDR). Since the final RTS and related templates will be published in the Official Journal of the European Union (OJEU) only very late in 2021 – or even after the application date of 1 January 2022 – it is key that the taxonomy regulation (TR) RTS will be published in the OJEU as soon as possible and introduce only essential changes to the SFDR RTS.

It is of utmost importance that financial market participants are not obliged to start applying the templates based on the first RTS of SFDR and then must change the template based on the taxonomy-related amendments. This would create unjustified burden and IT costs. The use of templates should start only after the adoption of all SFDR RTSs.

Second, the Commission should consider safeguards in case the RTSs are not finalized early enough to allow sufficient implementation time for the FMPs.<ESA_QUESTION_ESG_1>

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

<ESA_QUESTION_ESG_2>

We are not convinced that smaller companies (those which are not in scope of the taxonomy regulation) will report on their taxonomy alignment, which makes the accuracy of the KPI questionable. Similar data availability problem can also concern other asset classes. It would be important to clarify how much financial market participants can rely on estimates when reporting the KPI.

Data availability problems are relevant also with regards to the PAI disclosure, as non-financial companies are not obliged to report the information needed for the PAI indicators.<ESA_QUESTION_ESG_2>

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

<ESA_QUESTION_ESG_3>

CapEx is an indication of future and where the focus is and not current set up. By allowing OpEx to be a measurement, it will allow for a wider view of the companies Taxonomy alignment. The drawback would be how to combine the methodologies in the disclosure.

<ESA_QUESTION_ESG_3>

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

<ESA_QUESTION_ESG_4>

The market would need guidance on how to treat derivatives before including it in the KPIs.

<ESA_QUESTION_ESG_4>

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

<ESA_QUESTION_ESG_5>

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<ESA_QUESTION_ESG_5>

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

<ESA_QUESTION_ESG_6>

Alongside the KPI there should be a blank explanation field, where the FMPs can describe the product's investments and the investments' relation to the EU taxonomy in more detail. This is particularly important as investments can be sustainable in social terms (aligned with the SFDR art. 2(17)) without being taxonomy-aligned, and it should be possible to clearly communicate this to the customer.

All investments should be considered in the denominator in order not to give a false picture of the proportion of taxonomy eligible investments compared to the product's total investments.

<ESA_QUESTION_ESG_6>

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

<ESA_QUESTION_ESG_7>

Requirement for an external assessment might become mandatory for EU green bonds in the EU green bond standard. For other investments, the market and standards are not mature enough to include a third-party assessment at the moment. This could be done at a later stage.

In general, external assessment obligation is a level 1 question. It is not legally sound to introduce third-party verification obligations to financial products through level 2 technical standards.

<ESA_QUESTION_ESG_7>

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

<ESA_QUESTION_ESG_8>

As companies begin to report their taxonomy alignment only in 2022, the periodic disclosures level 2 requirements should enter into application in 2023. Investors do not have the data available for periodic disclosures yet in 2022.

<ESA_QUESTION_ESG_8>

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

<ESA_QUESTION_ESG_9>

In general, we support the use of templates so that retail investors get comparable information about the different financial products. However, the proposed RTS amendments delay the finalization of the product templates. If we cannot finalize the SFDR L2 templates by mid-2021, their implementation date (foreseen for 1.1.2022) needs to be reconsidered, because financial market participants need reasonable time to create the new templates for their products.

Referring to answer to Q8, the periodic templates especially should only enter into application in 2023 the earliest.

In relation to the disclosed proportion of Taxonomy aligned investments, is it still unclear whether or not it shall be seen as a minimum proportion of the underlying investment or an expected average. We also see a challenge of how to disclose the underlying data from the investors if the Taxonomy alignment is based on turnover, OpEx or CapEx
<ESA_QUESTION_ESG_9>

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

<ESA_QUESTION_ESG_10>

We prefer to have all the ESG/Sustainable disclosures in the same document and in a comparable format.
<ESA_QUESTION_ESG_10>

Q11 : The draft RTS propose in the amended templates to identify whether products making sustainable investments do so according to the EU taxonomy. While this is done to clearly indicate whether Article 5 and 6 TR products (that make sustainable investments with environmental objectives) use the taxonomy, arguably this would have the effect of requiring Article 8 and 9 SFDR products making sustainable investments with social objectives to indicate that too. Do you agree with this proposal?

<ESA_QUESTION_ESG_11>

Referring to our answer for question 6, instead of pre-determined graphs we opt for a blank explanation field where the FMPs can describe the product's investments and the investments' relation to the EU taxonomy and/or to the SFDR art. 2(17) definition of sustainable investments more in detail.

<ESA_QUESTION_ESG_11>

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

<ESA_QUESTION_ESG_12>

TYPE YOUR TEXT HERE

<ESA_QUESTION_ESG_12>