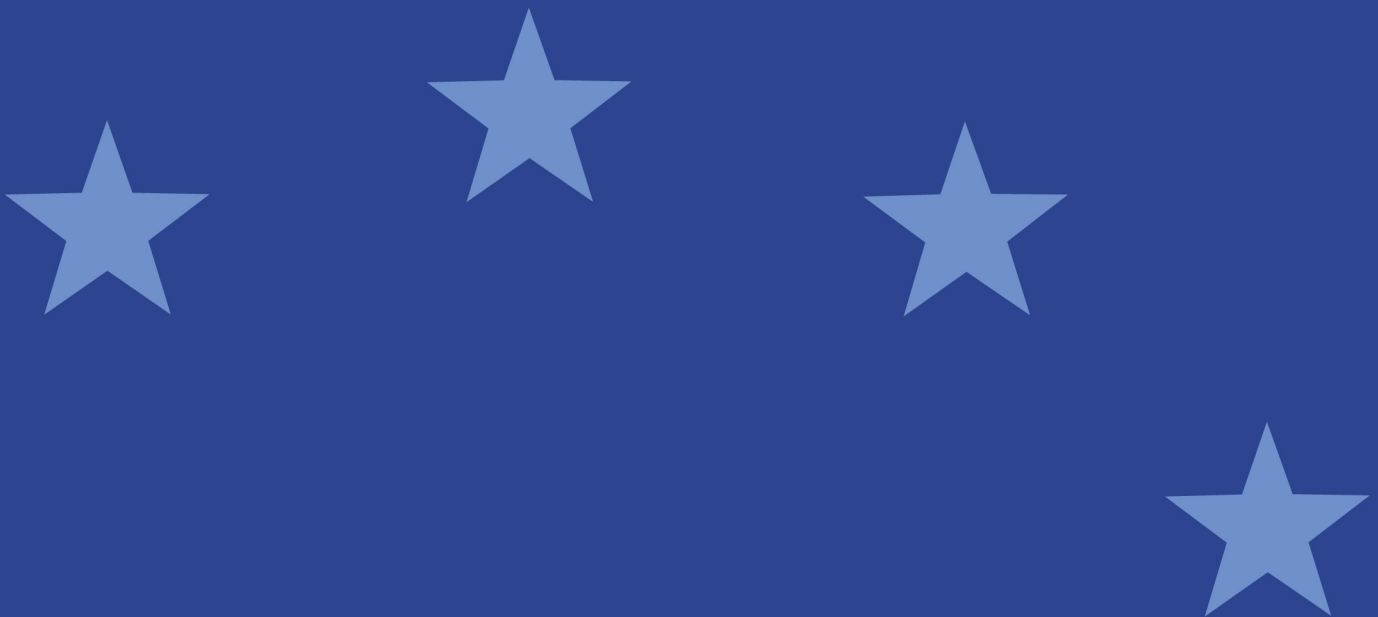




European Securities and
Markets Authority

Response form for the Consultation Paper on the Draft advice to European Commission under Article 8 of the Taxonomy Regulation



Responding to this paper

ESMA invites responses to the questions set out throughout this Consultation Paper and summarised in Annex II. Responses are most helpful if they:

- respond to the question stated and indicate the specific question to which they relate;
- contain a clear rationale; and
- describe any alternatives ESMA should consider.

ESMA will consider all comments received by **4 December 2020**.

All contributions should be submitted online at www.esma.europa.eu under the heading 'Your input - Consultations'.

Instructions

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

- Insert your responses to the consultation questions in the form "Response form_Consultation Paper on TR Article 8 advice", available on ESMA's website alongside the present Consultation Paper (www.esma.europa.eu → 'Your input – Open consultations' → 'Consultation on advice under Taxonomy Regulation Article 8').
- Please do not remove tags of the type <ESMA_QUESTION_TRART8_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: ESMA_TRART8_nameofrespondent_RESPONSEFORM. For example, for a respondent named ABCD, the response form would be entitled ESMA_TRART8_ABCD_RESPONSEFORM.
- Upload the form containing your responses, in Word format, to ESMA's website (www.esma.europa.eu under the heading 'Your input – Open consultations' → 'Consultation on advice under Taxonomy Regulation Article 8').



Publication of responses

All contributions received will be published following the close of the consultation, unless you request otherwise. If you do not wish for your response to be publicly disclosed, please clearly indicate this by ticking the appropriate box on the website submission page. 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 ESMA's 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

Information on data protection can be found at www.esma.europa.eu under the heading '[Data protection](#)'.

Who should read this paper?

This Consultation Paper may be of particular interest to non-financial undertakings and asset managers covered by Article 8 of Regulation (EU) 2020/852 (the 'Taxonomy Regulation') as well as to investors and other users of non-financial information



General information about respondent

Name of the company / organisation	Eurosif
Activity	Asset Manager Association
Are you representing an association?	<input checked="" type="checkbox"/>
Country/Region	Europe

Introduction

Please make your introductory comments below, if any:

<ESMA_COMMENT_TRART8_1>

Eurosif is the leading pan European Sustainable and Responsible Investment membership association advocating for a more sustainable financial system and with membership drawn from over 500 organisations across Europe

Eurosif works as a partnership of Europe-based national Sustainable Investment Forums (SIFs) SIF members include institutional investors, asset managers, financial services, index providers and ESG research and analysis firms totalling over €8 trillion of assets under management. Eurosif is also a founding member of the Global Sustainable Investment Alliance, the alliance of the largest SIFs around the world. The main activities of Eurosif are public policy, research and creating platforms for nurturing sustainable investing best practices.

Eurosif and its members are committed to the growth and development of sustainable finance and support European policymakers' demonstration of global leadership. Eurosif welcome the Sustainable Finance Action Plan, the various legislative frameworks that the EU has adopted such as the Sustainable Finance Disclosure Regulation (SFDR), the EU Taxonomy and the Paris-Aligned and Climate Transition benchmarks and supports fully their objectives to a) reorient capital flows towards sustainable investments, b) manage financial risks stemming from ESG issues; and c) foster transparency and long-termism in the financial system and the overall economy.

General comment

We believe that the disclosure of taxonomy-alignment by companies and asset managers pursuant to the identified KPIs (turnover, CAPEX, OPEX) can be a very powerful tool bring more transparency in financial markets around sustainability issues. If done well, It will allow to compare companies in the same or similar industries as well as providing a comparison between asset managers.

We believe it is particularly important for asset managers as it will allow a form of more objective comparison between asset managers and their responsible and sustainable financial products, particularly at a time where the industry is facing interpretation and implementation challenges, particularly when it comes to distinguishing between product pursuant environmental and/or social characteristics (Article 8 SFDR) and products having as objective sustainable investments (Article 9 SFDR). Both categories of products will be required to disclose the alignment of their portfolio with the EU Taxonomy (Article 5 and 6 Taxonomy Regulation).

We believe that the draft technical advice proposed by ESMA offers a solid basis for further work around product-level disclosure on taxonomy alignment. We believe to that end that it would be key to ensure that the KPIs, methodologies and ways of calculating for asset managers covered by Article 8 Taxonomy should align with the methodology under Article 5 and 6 Taxonomy to ensure firms do not need to set up two different systems. We provide below high-level summaries of the key points of our response.



Company disclosures

We are broadly supportive of the draft Technical Advice around company disclosures as it would provide an adequate level of transparency for companies. We support companies disclosing the aggregated numbers at entity level rather than at economic activity level as it would make it easier for investors to use the numbers. We believe disclosures around transition and enabling activities are also key as in the near future, this is likely to be a far larger investment universe than the pure taxonomy-aligned economic activities.

We agree on the need to have a rigorous approach to calculating the KPIs, to ensure that companies provide a true reflection of the state of their business versus the Taxonomy and the objective it serves. Therefore, we believe it would be good to make very clear that turnover will only include third-party sales. Inter-company or intragroup sales and equity participation sales should be eliminated, to prevent overstating of green revenues.

Finally, we would like to raise the necessity of having the information on the KPIs subject to a system of third-party verification, assurance or auditing. The theme of assurance and verification of non-financial information will be a key point of the review of the EU Non-Financial Reporting Directive (NFRD). We believe that if information to be disclosed by companies pursuant to this legislation is going to be subject to this type of information, then the information/data on the KPIs on taxonomy alignment should be included, particularly since the information linked to these KPIs will be backward-looking in nature, and thus easier to verify than any forward looking information.

Asset managers disclosures

We broadly agree with the draft Technical Advice proposed by ESMA. However, we have some reservations around some of the suggested approaches.

First, on the numerator side, we believe that individual portfolio management activities within the meaning of MiFID II should be included in the calculation. We do not understand the rationale in distinguishing between collectively managed investment vehicles and institutional mandates which would fall under MiFID. We believe the main objective should be to ensure that transparency on how investment decisions are made, how assets are invested and in how far they are invested in activities aligned with the taxonomy. We believe the asset allocation process (strategic and tactical) are the core element that matter in that process. Therefore individual institutional mandates qualifying as portfolio management under MiFID II should also be included.

Second, on the calculation methodology, we believe that asset managers should be disclosing the weighted average of the investments exposed to investee companies based on the share of turnover derived from Taxonomy-aligned activities of the investee companies. At the numerator level, it should include all bonds applying the EU Green Bond Standards, as well as corporate and sovereign bonds where the issuer can credibly demonstrate that the economic activities financed with the proceeds would be aligned with the taxonomy. At the denominator level, we believe that the calculation should include all the asset of an asset managers, including sovereign bond exposures, as well as investments in companies not yet covered by the EU Taxonomy. For the sake of simplicity, we believe it would be the easiest for asset managers to take their overall assets under management. Therefore, we suggest the methodology to be as follows:

Numerator	weighted average investments exposed to investee companies based on the share of turnover derived from Taxonomy-aligned activities + EU GBS + other bonds where issuer/sovereign can show alignment with Taxonomy
Denominator	Total assets under management (including sovereign bonds + investments in companies with activities not (yet) eligible under the taxonomy)

Thirdly, on the use of derivatives, we believe that only net positions should count towards turnover. We do not believe that asset managers should be allowed to disclose their long exposure (expressing support for a company and its business) will having simultaneously being able to build a significant short position and



not having this reflected in the KPIs on taxonomy alignment. Equally, we believe only position whereby an asset manager is directly exposed to the shares and bonds of a company should count, as it is the type of positions allowing to engaged with a company and its management, particularly on the issue of increasingly aligning the company further with the taxonomy. Derivatives position cannot achieve the same outcome and should therefore not be eligible.

Sequencing of issuers and asset manager disclosures

We understand that one of the core assumptions underpinning the draft Technical Advice is the fact that the Delegated Acts under Article 8 Taxonomy will be adopted in June 2021 and will apply to companies as of 1st January 2022.

If asset managers are to report on the KPIs pursuant to Article 8 Taxonomy (when in scope of the NFRD) or Article 5 and 6 Taxonomy (when offering Article 8 or 9 SFDR products), they will need to rely on the information provided by the companies. These obligations will apply from the 1st of January 2022 with asset managers having to report on KPIs across their products in pre-contractual disclosures (Article 6 SFDR).

This may only work well if companies are required as of 1st January 2022 to report on their financial year (FY) 2021 (probably in Q1 2022). Should that assumption not materialise or the rules requiring disclosure by non-financial companies be delayed, it will be necessary to have a transparent and honest debate on the feasibility of high-quality, transparent and accurate pre-contractual disclosures by asset managers as of 1st January 2022.

For any questions or comments please contact: Victor van Hoorn, Executive Director – victor.vanhoorn@eu-rosif.org

<ESMA_COMMENT_TRART8_1>



Q1 For this KPI, do you agree with the proposed approach to defining turnover (bullet a in the draft advice)?

<ESMA_QUESTION_TRART8_1>

We agree with the approach proposed by ESMA. We believe it is essential that non-financial undertakings calculate their turnover in the same way to ensure consistency and comparability between companies subject to the NFRD.

<ESMA_QUESTION_TRART8_1>

Q2 For this KPI, do you agree with the proposed approach to when turnover can be counted (bullet b in the draft advice)?

<ESMA_QUESTION_TRART8_2>

We agree with the approach proposed by ESMA of aligning its proposal with the work undertaken by the Technical Expert Group (TEG). We note however that it is currently challenging for companies as well as financial market participants to apply in a systematic way the criterion of doing no significant harm (Article 17 Taxonomy). First, the data to apply certain Technical Screening Criteria (TCS) is lacking. Second, in the absence of that data, financial market participants will revert to proxies or alternative data to perform the analysis which leads to fragmentation. So we agree with the approach, while noting that further work may be required to refine the concept of the Do No Significant Harm principle in the EU Taxonomy as well as the EU Sustainable Finance Disclosure Regulation (SFDR).

<ESMA_QUESTION_TRART8_2>

Q3 For this KPI, do you agree with the proposed approach to defining CapEx (bullet a in the draft advice)?

<ESMA_QUESTION_TRART8_3>

We agree with the approach proposed by ESMA.

<ESMA_QUESTION_TRART8_3>

Q4 For this KPI, do you agree with the proposed approach to when CapEx can be counted, including the definition of 'plan' (bullet b in the draft advice)?

<ESMA_QUESTION_TRART8_4>

We broadly agree with the approach proposed by ESMA. We however have comments on the definition of a plan. We agree with the need for non-financial undertakings to be transparent around their specific CAPEX plans which they want to count towards their Taxonomy alignment. We would however note that if the specific CAPEX is financed with the proceeds of the issuance of a bond complying with the EU Green Bond Standards, then the prospectus for that bond should be sufficient.

We however would like to seek clarification about the 5 year time plan. While 5 years may be an adequate timeframe to make certain economic activities full taxonomy aligned, it might take longer for other economic activities, for example large infrastructure investments with a long-time horizon. Here it may be useful to clarify that the company should explain and justify how an activity may be partially (% of revenues) taxonomy aligned after 5 years. If an activity is only partially aligned after 5 years, then the revenues and CAPEX linked to that activity must also be weighed against the share that is taxonomy aligned.

<ESMA_QUESTION_TRART8_4>

Q5 For this KPI, do you agree with the proposed approach to defining OpEx (bullet a in the draft advice)?

<ESMA_QUESTION_TRART8_5>

We agree with the approach proposed by ESMA.



<ESMA_QUESTION_TRART8_5>

Q6 For this KPI, do you agree with the proposed approach to when OpEx can be counted, including the definition of ‘plan’ (bullet b in the draft advice)? With reference to the TEG’s inclusion of the words “if relevant” in relation to OpEx, in which situations should it be possible to count OpEx as Taxonomy-aligned?

<ESMA_QUESTION_TRART8_6>

We agree with the approach proposed by ESMA. While CAPEX expenditure provide a clear signal about a non-financial undertaking’s intent to align its business model and revenues further with the Taxonomy, we believe that providing a fair and accurate to investors of the overall share of OpEx that is associated with taxonomy-aligned activities would be a valuable piece of information.

However we are not sure whether the concept of ‘plan’ is equally suited to OpEx as it is to CapEx. While the latter gives a clear signal about the strategy of a company around investments in a long-term horizon, we are not sure OpEx expenditure occur according to a similar well-defined plan. Often OpEx will cover expenditures linked with the immediate short-term operations of the company. They will therefore not be subject to a separate plan.

Maybe an easier way would be to suggest that once a company has identified robustly its share of revenues from taxonomy-aligned economic activities, it can allocated pro-rata an equivalent share of its OpEx towards the KPI of taxonomy-aligned OpEx.

<ESMA_QUESTION_TRART8_6>

Q7 Do you believe that any of the suggested approaches covered in questions 1 to 6 above will impose additional costs on non-financial undertakings? If yes, please specify the type of those costs, including whether they are one-off or ongoing, and provide your best quantitative estimate of their size.

<ESMA_QUESTION_TRART8_7>

TYPE YOUR TEXT HERE

<ESMA_QUESTION_TRART8_7>

Q8 Do you agree that sectoral specificities should not be addressed in the advice, as proposed in Section 3.2.3?

<ESMA_QUESTION_TRART8_8>

We agree with the approach proposed by ESMA. For non-financial undertakings to assess the alignment of their activities with the Taxonomy will be a significant challenge that is however necessary. Sector specific issues are already addressed through the different TCS in each sector to identify an economically sustainable activity. Seeking further sector specific rules would only add a layer of complexity without necessarily delivering additional information that is useful.

<ESMA_QUESTION_TRART8_8>

Q9 Do you agree with the requirements for accompanying information which ESMA has proposed for the three KPIs?

<ESMA_QUESTION_TRART8_9>

We agree with the approach proposed by ESMA. We understand that certain non-financial undertakings may face significant challenges in categorising their business operations, associating it with NACE codes and then performing the data analysis to deliver the KPIs. As a result, it is likely at least in the first report-

ing periods that we will see diverging approaches in calculations, with different methodologies, assumptions and proxies being used. It is therefore vital that non-financial undertakings provide transparency about the methodology they use to perform some of these analysis. Furthermore, we believe this will be vitally important for the analysis of whether the DNSH criteria are met (2.(ii)). As explained above, existing available evidence shows a significant and material differences in approaches by companies and financial market participants in assessing the DNSH. These differences come mainly from the lack of data to apply certain criteria and the use of alternative data and proxies to replace the missing data. Therefore, contextual information will be vital for investors to understand how companies have calculated the KPIs.

<ESMA_QUESTION_TRART8_9>

Q10 Do you consider that the requirement to refer to the relevant line item(s) in the financial statements for each KPI ensures sufficient integration between the KPIs and the financial statements?

<ESMA_QUESTION_TRART8_10>

Yes, we agree with this suggestion.

<ESMA_QUESTION_TRART8_10>

Q11 Do you agree with ESMA's suggestion to permit compliance by reference, so that non-financial undertakings may present the accompanying information elsewhere in the non-financial statement than in the immediate vicinity of the KPIs, as long as they provide a hyperlink to the location of the accompanying information?

<ESMA_QUESTION_TRART8_11>

Yes, we agree with this suggestion.

<ESMA_QUESTION_TRART8_11>

Q12 Do you consider there are additional topics that should be considered by ESMA in order to specify the content of the three KPIs? If yes, please elaborate and explain the relevance of these topics.

<ESMA_QUESTION_TRART8_12>

TYPE YOUR TEXT HERE

<ESMA_QUESTION_TRART8_12>

Q13 Do you believe that providing the suggested accompanying information will impose additional costs on non-financial undertakings? If yes, please specify the type of those costs, including whether they are one-off or on-going, and provide your best quantitative estimate of their size.

<ESMA_QUESTION_TRART8_13>

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<ESMA_QUESTION_TRART8_13>

Q14 Do you agree that non-financial undertakings should provide the three KPIs per economic activity and also provide a total of the three KPIs at the level of the undertaking / group? If not, please provide your reasons and address the impact of your proposal to financial market participants along the investment chain.

<ESMA_QUESTION_TRART8_14>



We agree with the approach proposed by ESMA. The EU Taxonomy requires the analysis of the alignment to be performed at the level of an economic activity and not an issuer or group. We believe that for non-financial undertakings the challenge will be in identifying all the separate 'economic activities' and perform the alignment analysis (incl. DNHS) to each of these activities. We believe that once this analysis has been done, it should be relatively easier to provide the KPIs at undertaking level as well as at group level.

This would significantly help financial market participants in their own reporting as well as investment process, since they often perform their analysis and due diligence at the level of each issuer issuing securities.

<ESMA_QUESTION_TRART8_14>

Q15 Do you agree that where an economic activity contributes to more than one environmental objective, non-financial undertakings should explain how they allocated the turnover / CapEx / OpEx of that activity across environmental objectives and where relevant the reasons for choosing one objective over another?

<ESMA_QUESTION_TRART8_15>

We are not sure we follow the reasoning proposed in this part of the advice. The EU Taxonomy has six clearly identified environmental objectives (climate mitigation, climate adaptation, water use, circular economy, pollution prevention and biodiversity). These objectives seek to protect and preserve different aspects of the environment. Non-financial undertakings will be expected to report up to 18 data points (turnover, CapEx and OpEx) across all 6 environmental objectives.

It is quite possible that the same economic activity might be contributing significantly to more than one of the environmental objectives. Therefore we do not necessarily see the need for a non-financial undertaking to assign an activity only to one of the objectives if it can prove that the activity contributes significantly to two objectives.

Therefore it is possible that the overall Taxonomy alignment of non-financial undertaking in terms of the main three KPIs (turnover, CapEx, OpEx) may be smaller than the sum of the 6 data points for each of these main three KPIs.

In general however, we agree non-financial undertakings should explain and be transparent about how turnover CapEx/OpEx are allocated across different objectives so that investors can understand how they reached particular conclusions.

<ESMA_QUESTION_TRART8_15>

Q16 Do you agree that non-financial undertakings should provide information on enabling and transitional activities?

<ESMA_QUESTION_TRART8_16>

We fully agree. It is essential that non-financial undertakings provide a breakdown across activities that are Taxonomy-aligned and the activities that qualify as transition and enabling activities. While the Taxonomy clearly identifies sustainable economic activities deemed in line with the objectives of net-zero by 2050 and other environmental goals, studies show that the overall alignment of companies included in large market indices (DAX, CAC40, Euro Stoxx) remains at the present fairly limited in size. Therefore, in the near future we expect the focus and investable universe to be in the area of transition activities as various sector of the economy (energy, transport, agriculture, manufacturing) start to transition on a decarbonisation pathway. It will therefore be vital for investors, both from a risk management perspective and from the desire to pursue sustainable outcomes, to understand the economic activities non-financial undertakings are involved in. We therefore support disclosures making a distinction, as well as the accompanying methodologies and assumptions used by companies to identify these.

<ESMA_QUESTION_TRART8_16>

Q17 Do you agree that the three KPIs should be provided per environmental objective as well as a total at undertaking or group level across all objectives? If not, please provide your reasons and address the impact of your proposal to financial market participants along the investment chain.

<ESMA_QUESTION_TRART8_17>

We agree that the three KPI should in the future be provided for all six environmental objectives once the environmental part of the EU Taxonomy has been finalised in 2022-2023. As mentioned earlier, these objectives, while interconnected, pursue very different objectives. And many investors or asset managers may start to offer different investment strategies which may focus on one or more of these objectives. Therefore we support disclosing the KPI per environmental objective.

As mentioned earlier, we believe that the three KPIs at undertaking or group level (depending on the structure of the company) per each environmental objective (18 in total) would be useful information for investors. It would arguably be much more useful than companies having to report for each separate economic activity the 3 KPIs.

<ESMA_QUESTION_TRART8_17>

Q18 Do you agree that non-financial undertakings should be required to provide the three KPIs for economic activities which are covered by the Taxonomy, economic activities which are covered by the Taxonomy but for which the relevant criteria are not met and therefore are not Taxonomy-aligned as well as for economic activities which are not covered by the Taxonomy?

<ESMA_QUESTION_TRART8_18>

We are not sure how this approach would work. The economic activities for which TSC have been developed under the EU Taxonomy are activities on which there is a solid and broad consensus that they are sustainable. As long as the TSC for other activities with NACE codes not covered by the Taxonomy, that consensus does not exist. Also, it means non-financial undertakings will have to do self-assessment in the absence of rules or guidance.

If the suggestion is to have three KPIs for the 'residual activities' that are neither Taxonomy-aligned nor transition or enabling activities, we believe that could be helpful in providing transparency.

<ESMA_QUESTION_TRART8_18>

Q19 Do you agree with the proposal not to require retroactive disclosure concerning the four environmental objectives relating to the financial year 2021?

<ESMA_QUESTION_TRART8_19>

We agree. While it is important for asset managers and investors that these information become available, it is more important that non-financial undertakings are giving adequate time and tools to prepare good quality disclosures. We do however believe that the timelines for asset managers to disclose, particularly pursuant to Article 5 and 6 Taxonomy should be adapted to take this into account.

<ESMA_QUESTION_TRART8_19>

Q20 Do you consider that there are specific elements in ESMA's draft advice which are not in line with the information needed by financial market participants in order to comply with their own obligations under the Taxonomy Regulation and the SFDR? If yes, please specify in your answer.

<ESMA_QUESTION_TRART8_20>



Assuming ESMA considers the obligation of financial market participants under Article 5 and 6 of the Taxonomy that make available financial products within the meaning of Article 8 and 9 SFDR, then we believe the ESMA advice provides the right elements.

Of course, depending on the outcome of the drafting of Regulatory Technical Standards (RTS) under the SFDR, particularly when it comes to principal adverse impact indicators, a challenge will continue for the foreseeable future around data availability and quality for some of the proposed indicators.

<ESMA_QUESTION_TRART8_20>

Q21 Are there points that should be addressed in ESMA’s advice in order to facilitate compliance of financial market participants across the investment chain? If yes, please specify.

<ESMA_QUESTION_TRART8_21>

While Eurosif is generally not in favour of delaying the application of legislative frameworks, there will be a challenge for financial market participants to comply in their 2022 disclosures pursuant to Article 5 and 6 of the Taxonomy if non-financial undertakings will not provide their disclosure pursuant to Article 8 of the Taxonomy.

Our understanding is that non-financial undertakings will be required to report retroactively on the three KPIs for the climate mitigation and climate adaptation objectives over financial year (FY) 2021 while the delegated acts will be finalised and adopted only in mid-year (June 2021). We can imagine a scenario whereby it may be challenging for all non-financial undertakings to issue the three KPIs for both objectives.

We would be grateful for ESMA and the European Commission to keep a transparent and open dialogue to ensure that if delays by non-financial undertakings are noticed, a discussion emerges on the timing of the disclosures for asset managers under Article 5 and 6 of the Taxonomy.

<ESMA_QUESTION_TRART8_21>

Q22 Do you believe that ESMA’s detailed proposals under Section 3.3 will impose additional costs on non-financial undertakings? If yes, please specify the type of those costs, to which specific proposal they relate including whether they are one-off or on-going, and provide your best quantitative estimate of their size.

<ESMA_QUESTION_TRART8_22>

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<ESMA_QUESTION_TRART8_22>

Q23 Do you consider there are additional topics that should be considered by ESMA in order to specify the methodology that non-financial undertakings should follow? If yes, please elaborate and explain the relevance of these topics.

<ESMA_QUESTION_TRART8_23>

TYPE YOUR TEXT HERE

<ESMA_QUESTION_TRART8_23>

Q24 Do you agree that in order to ensure the comparability of the information disclosed under Article 8(2) of the Taxonomy Regulation and as such facilitate its usage, ESMA should propose the use of a standardised table?

<ESMA_QUESTION_TRART8_24>



We agree. And we encourage ESMA also to examine the usefulness and practicalities of these templates in helping the information to be move to a centralised database for financial and non-financial information as foreseen by the European Commission in its Capital Markets Union action plan. Eurosif and its members fully support this initiative. Disclosures by non-financial undertakings under Article 8 Taxonomy would, along with mandatory information under the revised NFRD and European sustainability reporting standards, be the key information our members expect to see reflected in such a database.

<ESMA_QUESTION_TRART8_24>

Q25 Do you consider that the standard table provided in Annex III of this Consultation Paper is fit for purpose? Do you think the standard table provides the right information, taking into account the burden on non-financial undertakings of compiling the data versus the benefit to users of receiving the data? If not, please explain and provide alternative suggestions to promote the standardisation of the disclosure obligations pursuant to Article 8 of the Taxonomy Regulation.

<ESMA_QUESTION_TRART8_25>

TYPE YOUR TEXT HERE

<ESMA_QUESTION_TRART8_25>

Q26 Do you agree that the disclosure in the three standard tables should comply with the formatting rules mentioned in Table 5?

<ESMA_QUESTION_TRART8_26>

TYPE YOUR TEXT HERE

<ESMA_QUESTION_TRART8_26>

Q27 Do you believe that ESMA’s detailed proposals under Section 3.4 will impose additional costs on non-financial undertakings? If yes, please specify the type of those costs, to which specific proposal they relate including whether they are one-off or on-going, and provide your best quantitative estimate of their size.

<ESMA_QUESTION_TRART8_27>

TYPE YOUR TEXT HERE

<ESMA_QUESTION_TRART8_27>

Q28 Do you agree that a share of investments is an appropriate KPI for asset managers? If you do not, what other KPI could be appropriate, please justify.

<ESMA_QUESTION_TRART8_28>

We fully agree with ESMA that this is the correct KPI for asset managers

<ESMA_QUESTION_TRART8_28>

Q29 This advice focuses on the collective portfolio management activities of asset managers. Should this advice also cover potentially any other activities that asset managers may have a license for, such as individual portfolio management, investment advice, safekeeping and administration or reception and transmission of orders (‘RTO’)?

<ESMA_QUESTION_TRART8_29>

We partially agree with the approach of ESMA. Our core principle and objective is to ensure that transparency is provided about how investment decisions are made, how assets are invested and in how far they



are invested in activities aligned with the taxonomy. We believe the asset allocation process (strategic and tactical) are the core element that matter.

Taking this as a starting point, we believe that asset managers should also be required to include activities qualified individual portfolio management under MiFID II. While many investors place funds into funds with collective portfolio management activities (UCITS, AIF, ELTIF, EuVeca, EuSef), many assets are also managed in institutional mandates for individual institutional investors. We believe that transparency around how these mandates and their portfolio finance economic activities that are taxonomy-aligned.

We are less convinced by the argument for including the other MiFID activities considered. Including assets under advice may lead to double counting with assets under management in the investment chain. Similarly we are less convinced that in the safeguard or safekeeping or the RTO major decisions pertaining to sustainable investments are made. Therefore we believe these activities should be left out.

Moreover, from a perspective of transparency and avoiding greenwashing, including these activities may lead to certain financial market participants overstating the level of taxonomy alignment of their activities with activities where no major decisions are taken when it comes to sustainable investments in taxonomy-aligned activities.

To conclude, we believe individual portfolio management should be included while other MiFID activities are left out.

<ESMA_QUESTION_TRART8_29>

Q30 Do you agree that for the numerator of the KPI the asset manager should consider a weighted average of the investments exposed to investee companies based on the share of turnover derived from Taxonomy-aligned activities of the investee companies? If not please propose and justify an alternative.

<ESMA_QUESTION_TRART8_30>

We agree with the approach proposed by ESMA.

<ESMA_QUESTION_TRART8_30>

Q31 Do you agree that in addition to a main turnover-derived Taxonomy-alignment KPI, there is merit in requiring the disclosure of CapEx and OpEx-derived figures for Taxonomy-alignment of an asset managers' investments?

<ESMA_QUESTION_TRART8_31>

We agree with the approach proposed by ESMA.

<ESMA_QUESTION_TRART8_31>

Q32 Do you think sovereign exposures, such as sovereign bonds (but excluding green bonds complying with the EU Green Bond Standard) should be considered eligible investments and if so under what methodology?

<ESMA_QUESTION_TRART8_32>

As mentioned in Q30, we believe that sovereigns and public authorities issuers could issue green bonds that fund specific projects that may qualify as economic activities that are taxonomy aligned, regardless of whether these bond explicitly apply the EU Green Bond Standard. Therefore, we believe that these could be included in the category of eligible asset on the numerator.

We also believe that exposure to sovereign bonds should be included in the denominator. The share of taxonomy aligned activities in investment portfolios will be a set of key metrics for several purposes. First, it will allow vitally to come asset managers against each other and in the future, when product specific

rules are defined under Article 5 and 6 of the Taxonomy, products between each other. It will provide an objective benchmark to compare products. Second, and more importantly, it will provide useful information regarding the size of taxonomy-aligned investments, the size of the challenge in certain sectors and whether certain sectors are making progress on their decarbonisation strategy. As such, we believe that the share of taxonomy alignment should be calculated over the entire asset base of an asset manager, regardless of which types of financial instruments used.

<ESMA_QUESTION_TRART8_32>

Q33 Do you agree that the denominator should consist of the value of eligible investments in the funds managed by the asset manager or should it be simply the value of all assets in the funds managed by the asset manager?

<ESMA_QUESTION_TRART8_33>

It should be the value of all asset in the funds managed by the asset manager. We see the objective of these rules as providing honest transparency about taxonomy alignment and not about artificially raising the share of taxonomy alignment investments by reducing the asset base in the denominator. Therefore, sovereign exposure should also be included in the denominator (Q32).

<ESMA_QUESTION_TRART8_33>

Q34 Do you support restricting the denominator to funds managed by the asset manager with sustainability characteristics or objectives (i.e. governed by Article 8 or 9 of Regulation (EU) 2019/2088)? What are the benefits and drawbacks of such an approach?

<ESMA_QUESTION_TRART8_34>

We are neutral on the issue. Asset managers that fall in the scope of the NFRD themselves, which focuses on entities/groups, should theoretically be required to disclose the information at entity/group level, which will include the AuM held in funds not subject to Article 8 and 9 SFDR. Asset managers not falling under the NFRD directly will only be required in the future under Article 5 and 6 of the Taxonomy to disclose these holdings for Article 8 and 9 products. This could create an unlevel playing field.

However, incidental evidence at this stage seems to suggest that if asset managers are going to implement operational/IT systems to do this reporting and the information by non-financial undertakings is readily available, it is likely we will see disclosure of taxonomy alignment by asset managers across their Article 8, 9 and other Article 6 products.

Therefore, an approach encompassing all assets could provide transparency around taxonomy alignment on parts of the asset based not otherwise in the scope of the SFDR.

Finally, limiting the denominator to funds falling in the scope of Article 8 or 9 SFDR will deliver a result which will already be provided by the draft technical standards under Article 5 and 6 Taxonomy (weighted share of taxonomy aligned activities in investee companies/

<ESMA_QUESTION_TRART8_34>

Q35 Is it appropriate to combine equity and fixed income investments in the KPI, bearing in mind that these funding tools are used for different purposes by investee companies? If not, what alternative would you propose?

<ESMA_QUESTION_TRART8_35>

We believe it is appropriate. Ultimately, the decision on the use of equity or debt instruments to fund taxonomy aligned economic activities is one made by non-financial undertakings over which asset managers have little say. We would suggest therefore combining them, also to avoid further complexity where it can be avoided.

<ESMA_QUESTION_TRART8_35>

**Q36 Do you believe the proposed advice will impose additional costs on asset managers?
Please specify the type of those costs, to which specific proposal they relate including whether they are one-off or on-going, and provide your best quantitative estimate of their size.**

<ESMA_QUESTION_TRART8_36>

It will certainly add additional costs to asset managers.

<ESMA_QUESTION_TRART8_36>

Q37 What are the benefits and drawbacks of limiting Taxonomy-aligned activities to those reported by Non-Financial Reporting Directive companies?

<ESMA_QUESTION_TRART8_37>

We believe a distinction should be made here between companies falling below the threshold of the NFRD (SMEs) and companies falling outside the geographical scope of the NFRD (non-EU).

For SMEs, we suggest waiting for the European Commission proposal on the NFRD which may impact the scope of entities covered and may result in the development of a system of reporting that is proportionate to SME companies. For non-EU companies, an unknown factor in the equation at this stage is whether companies having a significant share of EU investors in their shareholders or bondholders base may voluntarily start reporting this information to remain attractive investments. We would however note that a company outside the EU and not formally falling in the scope of the NFRD may nevertheless report against the KPIs voluntarily. If that information is subject to safeguards, a financial market participant having exposure to this company and its taxonomy-aligned activities should be able to report on them.

However, in the interim and to ensure integrity and comparability of products, we would suggest limiting the numerator clearly to investments in companies providing the relevant KPIs. Gradually the share of investments will rise as data accuracy, quality and comparability improves.

<ESMA_QUESTION_TRART8_37>

Q38 Do you agree with ESMA's recommendation that the Commission develop a methodology to allow a sector-coefficient to be assigned for non-reporting investee companies?

<ESMA_QUESTION_TRART8_38>

We are unsure how a sector-coefficient would work in practice.

The Taxonomy from the onset took as starting point economic activities, to ensure a certain level of granularity was ensured in the analysis. That granularity has been maintained throughout the advice on non-financial undertakings, the TEG report and other publications. While we understand the potential benefits, it would now seem very odd to come with economic sector-coefficients to weight companies which may have the same economic activities with very different realities on the ground.

Finally, the question is whether this intends to cover large privately held companies not currently subject to the NFRD or Small- and Medium Sized (SMEs) that are listed but currently out of the scope of the NFRD. We believe that assessment can probably be best made once we have more clarity about the scope of the proposed revision of the NFRD which is currently being considered by the European Commission.

<ESMA_QUESTION_TRART8_38>

Q39 Should netting be allowed, on the lines of Article 3 of the Short-Selling Regulation?

<ESMA_QUESTION_TRART8_39>

We agree that netting in line with Article 3 of the Short-Selling Regulation should be possible and even required. We believe that transparency for investors and the markets comes from having a clear idea of the

economic exposure to a particular issuer and how that company is performing on the taxonomy-alignment KPIs. That exposure would be generated through long positions within the meaning of Article 3(2)(a) of the Short Selling Regulation as an investor holding shares within a company is capable of engaging with the issuing company and exercise influence over its business, strategy and hence the KPIs, even though that influence might be limited.

We believe that in the absence of netting, it may overstate the true exposure of a particular product to a particular issuer. We do not believe however that a financial market participant could use a net short position as contributing towards its KPI in terms of portfolio alignment.

<ESMA_QUESTION_TRART8_39>

Q40 How should derivatives be treated for the calculation purposes? Should futures be considered as potential Taxonomy-aligned investments?

<ESMA_QUESTION_TRART8_40>

We disagree with the idea of allowing derivatives positions to be treated as potentially taxonomy alignment investments. We believe firmly that exposure to companies with taxonomy aligned activities should only count when a financial market participants holds shares, being able to vote these and engage with the company management on the strategy, which impacts the revenues, CAPEX and OPEX plans of that company, or hold bonds of the company, as he decides to subscribe or not on the primary and secondary markets to the planned activities of the company. A position held through derivatives those not give the holder of the position any voting rights or opportunity to engage with the company as shareholder/bondholder. Furthermore, each company will have a limited number of financial instruments (shares or bonds) issued and in circulation, thus limiting the total exposure of financial market participants versus that company and its taxonomy-aligned KPIs. However, the size of position through derivatives could be limitless, thus leading to total exposures in the financial system versus a particular issuer that exceeds the number of financial instruments in circulation, thereby artificially increasing the exposure of financial market participants to taxonomy-aligned activities.

<ESMA_QUESTION_TRART8_40>

Q41 What are the costs and benefits associated with the different options for non-reported activity coverage, netting and derivatives treatment presented above? Please provide a quantitative estimate for each option, distinguishing between one-off and on-going costs.

<ESMA_QUESTION_TRART8_41>

We would imagine that building systems to capture entire investment portfolios rather than seeking to carv

<ESMA_QUESTION_TRART8_41>

Q42 Do you have any views on the proposed advice recommending a standardised table for presentation of the KPI for asset managers in Annex IV?

<ESMA_QUESTION_TRART8_42>

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<ESMA_QUESTION_TRART8_42>

Q43 Do you agree with presenting accompanying information in the vicinity of the standard table?

<ESMA_QUESTION_TRART8_43>

We support the approach proposed by ESMA.

<ESMA_QUESTION_TRART8_43>

Q44 Do you agree that there would be merit in including in the accompanying information a link, if relevant, to an asset managers' entity-level disclosures on principal adverse impacts of investment decisions on sustainability factors?

<ESMA_QUESTION_TRART8_44>

We support the approach proposed by ESMA.

<ESMA_QUESTION_TRART8_44>

Q45 Do you agree with adopting the same formatting criteria as presented in Section 3.4.2 for the asset manager KPI disclosure?

<ESMA_QUESTION_TRART8_45>

We support the approach proposed by ESMA.

<ESMA_QUESTION_TRART8_45>

Q46 What are the one-off and on-going costs of setting up the reporting and disclosure under this obligation? Please clarify the type of costs incurred and provide a quantitative estimation where possible.

<ESMA_QUESTION_TRART8_46>

TYPE YOUR TEXT HERE

<ESMA_QUESTION_TRART8_46>