



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) 2018/1725¹. 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 | Danish Institute for Human Rights |
| Activity | Government, Regulatory and Enforcement |
| Are you representing an association? | <input checked="" type="checkbox"/> |
| Country/Region | Denmark |

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>

General observations

The DIHR welcomes the opportunity to participate in this consultation, as well as the aim of the European Supervisory Authorities (ESAs) to strengthen the consideration of social adverse impacts in the Sustainable Finance Disclosure Regulation (SFDR). This input primarily focuses on the ‘social’ clauses as they pertain to human rights and labour rights (or ‘employee matters’ as referred to in RTS). To contextualise the responses to the specific consultation questions below, we would like to raise two general concerns.

First, we find that the current regulatory technical standards (RTS) continue to have gaps vis-à-vis international standards on responsible business conduct such as UN Guiding Principles on Business and Human Rights (UNGPs) and OECD Guidelines on Multinational Enterprises (OECD Guidelines). The DIHR has raised such concerns in its submission to the first consultation on RTS organised by the Supervisory Authorities in the summer of 2020. This leads to a situation whereby the regulation sets a lower standard for disclosure than what many responsible investors are committed to (see for example PRI’s [Why and How Investors Should Act on Human Rights](#)). One important area of misalignment is the expectation that financial market participants (FMPs) should primarily report on a pre-defined list of principal adverse impacts indicators. Introducing indicators that are predetermined to constitute principal adverse impact takes a different approach to that of the main standards on responsible business conduct which require businesses, including investors, to identify through due diligence their potential and actual human rights impacts and take action to prevent

and mitigate such impacts. When doing so, entities are asked to consider *all* human rights and identify those most at risk of adverse impacts related to business activities. By including some human rights and not others in the list of indicators in Table 1, aside from not being fully aligned with the international standards, the regulator risks driving due diligence attention and efforts towards some human rights only at the expense of consideration of all impacts and prioritisation of those most severe. To mitigate these risks, it is important that the regulator requires FMPs, as a first step, to describe their own identification of main human rights risks and impacts in recognition of the fact that the principal adverse impacts of most relevance to their activities may well differ from the ones represented through mandatory indicators. This would require making changes to both RTS– articles 6, 7, 8 and modifying Table 1 accordingly. We appreciate that addressing this concern goes beyond the scope of this consultation, but we deem it a critical issue that needs careful attention. DIHR’s submission to the consultation in 2020, prepared with 3 other organisations working on business and human rights, includes edits and additions to the RTS and Annex that highlight how the regulation can be brought in closer alignment with international standards in respect to this and other identified gaps (see the two annexes attached).

Second, the DIHR welcomes the ESA’s intention to seek closer alignment of the PAI indicators with the draft ESRS published by EFRAG in November 2022. We take note of the ongoing consultation by the European Commission on the draft Delegated Act on the ESRS and stress the importance of ensuring that the final ESRS require mandatory disclosure of the data points that FMPs are expected to report on. Alignment with CSRD is an important step towards EU policy coherence; it also has the potential to simplify data collection processes and enable compliance with SFDR. However, we believe there is a need for a more sophisticated and nuanced approach to connecting the two disclosure frameworks. As explained in answer to **question 3** below, some ESRS metrics have been imported in the RTS in a decontextualised manner, making them unreliable proxies for FMP’s adverse impacts on sustainability factors. Moreover, the import of some ESRS metrics as ‘mandatory’ and some as ‘opt in’ indicators, respectively, hasn’t been substantiated by the ESA, and appears to be the result of an arbitrary – as opposed to carefully reasoned - process. The DIHR took note of para 19 in the Joint Consultation Paper whereby the ESAs have relied on the ESRS not only to develop some of the new indicators, but also to align the wording of a number of old PAI with the ESRS. However, it is unclear why the ESAs haven’t reviewed *all* PAI indicators in light of the ESRS framework (for example, there is no corresponding ESRS disclosure requirement regarding ‘violations of the UNGPs and OECD Guidelines (...)’ as per indicator 10 in Table 1). The draft ESRS published by EFRAG represent a consensus amongst a diverse group of stakeholders and are the foundation for company mandatory disclosures that investors can rely on to fulfil obligations under SFDR. Using different or slightly different indicators in SFDR risks fragmenting reporting frameworks, with the perverse effect of undermining the comparability of investor data and eventually reducing the effectiveness of this regulation to improve transparency for end investors. The DIHR recommends that the regulator revisits all social indicators in light of the ESRS framework with the objective of achieving full compatibility between the SFDR and CSRD regulations. In this process, the regulator should develop a clear reasoning for (i) which metrics have been imported and which haven’t, (ii) why the metrics selected are meaningful proxies for FMP’s adverse impacts, (iii) their inclusion in the mandatory and opt-in baskets, respectively.

Given these two structural concerns, the DIHR welcomes the comprehensive assessment of the SFDR starting in autumn 2023 announced by the Commission in its sustainable finance package. We recommend that the DIHR's input to this consultation should inform that process. It would be advisable that any further changes to RTS as proposed by this consultation paper should be put on hold until that assessment has been completed.

Answer to question 1

The DIHR welcomes the decision to include more mandatory indicators on human rights/labour rights. However, the 2 indicators on trade unions and adequate wages can be further strengthened to yield more meaningful information about the exposure of FMPs to adverse human rights impacts. A policy commitment not to interfere with trade union formation is, of course, important but insufficient to assess whether the investee companies actually respect trade union rights. We recommend replacing this with an ESRS metric that focuses on outcomes as opposed to policies such as "percentage of total employees covered by collective bargaining agreements" (see ESRS S1-8, para 60) and "estimate of the coverage rate of non-employee workers by collective bargaining agreements" (see ESRS S1-8, para 60(c).) The indicator on adequate wages should be modified to align with ESRS which require that the data on wages be reported for all workers and not just those in formal employment (see ESRS S1- 10, para 66). It is usually non-employee workers who are most vulnerable to adverse human rights impacts and have no or few channels to seek remediation. |

1. <ESMA_QUESTION_SFDR_1>

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

<ESMA_QUESTION_SFDR_2>

| In its 2020 submission, the DIHR recommended a significant expansion of the list of mandatory indicators to align with international standards on responsible business conduct clarifying that business including investors can adversely impact all human rights (see Annex B attached for the list of revised indicators suggested then). Specifically, we recommended the addition of indicators that correspond to (i) the 4 ILO core standards (i.e. freedom of association and collective bargaining, forced labour, child labour and discrimination), (ii) wages and health and safety issues, and (iii) indicators covering the expectation for companies to develop human rights due diligence processes . With the publication of the draft ESRS by EFRAG, we believe that the ESAs should seek coherence with that framework as per the general observation above (see question 1), including EFRAG's advice on mandatory disclosures. |

<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>

The DIHR welcomes ESA's efforts to expand the list of social indicators. However, the import of certain metrics from ESRS was done in a decontextualised manner without a supporting explanation as to how these metrics are a meaningful proxy for FMP's adverse impacts. For example, in respect to the 3 new indicators on non-guaranteed hour employees, temporary contract employees, non-employee workers, ESRS does not set a threshold of what is considered an 'excessive use' thereof as implied by the framing of the indicator in the draft RTS. According to ESRS, the purpose of these disclosures is to "(...) provide contextual information that aids an understanding of the information reported in other disclosures" (see para 50 in ESRS S1-6). Specifically, "*Quantitative data, such as the number of temporary or part-time employees, is unlikely to be sufficient on its own. For example, a high proportion of temporary or part-time employees could indicate a lack of employment security for employees, but it could equally signal workplace flexibility when offered as a voluntary choice. For this reason, the undertaking is required to disclose contextual information to help information users interpret the data. (...)*" (ESRS S1, DR S1-6, AR 58). In ESRS, such data is one of the many data points required as part of a broader suite of disclosure requirements, including on the quality of working conditions of employees and non-employees. We recommend that the revision of these indicators should be put on hold until a more careful and nuanced approach to aligning SFDR with ESRS is undertaken, as recommended in our general observations in question 1. |

<ESMA_QUESTION_SFDR_3>

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

<ESMA_QUESTION_SFDR_4>

For policy coherence purposes and to enable data collection by FMPs, the DIHR recommends that all indicators are revisited to ensure alignment with the social topical standards in ESRS published by EFRAG in November 2022. |

<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>

The DIHR welcomes the replacement of the reference to the UN Global Compact Principles with the UN Guiding Principles on Business and Human Rights. This better reflects the normative status of these standards in international law and aligns with how the UNGPs have informed other relevant EU regulations that are relevant for the financial sector such as the Taxonomy Regulation (see art 18 on minimum safeguards), CSRD and the proposal for a Corporate Sustainability Due Diligence Directive. Suggestions for additional changes are included below:

Table 1

Indicator 10 (i.e. “violations of OECD Guidelines and UNGPs.....”). The indicator leaves ample room for interpretation as there is no authoritative consensus on what amounts to a “violation of OECD Guidelines or UNGPs”. These standards cover both process-related requirements (e.g. adoption of a human rights policy, due diligence process, set-up of a grievance mechanism) as well as outcome-related requirements (e.g. avoiding, mitigating and remediating human rights harm). As such, ‘violation’ can mean qualitatively different things i.e. the non-existence of one or more of the procedural elements, the occurrence of adverse human rights impacts. The lack of guidance on how to interpret this indicator can be problematic for several reasons. First, if ‘violation’ is to be interpreted as the lack of human rights due diligence processes, there is a clear overlap with the opt-in human rights indicators in table 3 (i.e. lack of human rights policies, lack of due diligence, lack of remediation mechanisms, etc), raising the question as to why those aren’t included in the mandatory list. That would be preferable given their specificity and clarity. Second, the very different issues that this indicator can potentially measure undermines the comparability of data across FMPs, which is one of the objectives of SFDR. While one FMP might interpret this indicator as a process-related non-alignment, others might interpret it as the existence of human rights harm. However, not having adopted a human rights policy is a qualitatively different type of adverse sustainability impact than subjecting employees to forced labour conditions, for example. The current formulation of the indicator, is likely to obfuscate -rather than enable- end investors’ understanding of the seriousness of adverse sustainability impacts of FMPs. The DIHR recommends that this indicator be replaced with more specific indicators measuring the degree of alignment with UNGPs and OECD Guidelines currently included in Table 3 such as:

- Indicator 13 – lack of human rights policies
- Indicator 14 – lack of human rights due diligence process
- Indicators 5/19/20 – lack of grievance mechanisms for employees and lack of remediation mechanisms for affected communities and consumers
- Indicator 18 – number of identified cases of severe human rights issues and incidents

These indicators should be made mandatory.

Indicator 11. The formulation of this indicator is unclear and can be (mis)read to mean slightly different things – e.g. lack of policies to monitor compliance with the OECD Guidelines and UNGPs; lack of grievance mechanisms; and both. It should be noted that the opt-in indicators already include language on grievance mechanisms (see indicators 5, 19, 20 in Table 3) which raises the question as to why those more specific indicators are not included in the mandatory list. The language of “remediation mechanism” in the new opt-in indicators 19 and 20 in Table 3 can be used interchangeably with that of “grievance mechanism” – according to international standards, grievance mechanisms are formalised processes to enable the remediation of harm suffered by affected parties. If this indicator should be interpreted to mean “lack of policies to monitor compliance with the OECD Guidelines and UNGPs”, there is a clear overlap with the indicators measuring the existence of human rights policy and due diligence system as those are meant to operationalise the responsibility of companies to respect human rights under the OECD Guidelines and UNGPs. The DIHR recommends clarifying what this indicator is meant to measure and replacing it with the more specific indicators in Table 3. If the indicator seeks to measure the existence of grievance mechanisms, it should be replaced with indicators 5, 19, 20 in Table 3 which should be made mandatory.

Indicator 20. The formulation of this indicator is unclear - countries cannot be subject to social violations, it is individuals and communities who usually are. It is assumed that this indicator seeks to capture if FMPs are invested in governments that breached human rights obligations under international human rights law and national law. If that is the case, there are inherent challenges when measuring this indicator. First, there are numerous international instruments covering ‘social issues’. For example, there are 9 core human rights treaties, 190 ILO conventions on labour rights and approximately 100 treaties in the area of humanitarian law. In the absence of specification of which international treaties and conventions should be considered, FMPs and data providers have ample room for discretion in interpreting this indicator, which risks undermining the comparability of data. Moreover, the sheer diversity of human rights issues that this indicator can potentially measure eventually renders it an unreliable proxy for the seriousness of adverse sustainability impacts of different FMPs. Second, it is unclear what sources should be used to ascertain the existence of a violation – e.g. a court case with a final ruling, a finding of non-compliance by a non-judicial body such as a UN treaty body, a report documenting violations by a reputable civil society organisation. In the absence of clarification of how violations should be identified, the approaches taken by FMPs and data providers will probably be inconsistent and vary from year to year and country to country. Given the formulation and measurement challenges outlined, we recommend that this indicator be replaced with several indicators measuring specific aspects of a country’s human rights performance based on publicly available methodologies. The Principle for Responsible Investment has published a report on [Human Rights in Sovereign Debt](#) which includes a list of indicators and data sources that can be used to inform the revision of this indicator (see p. 10 in that report).

<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>

| Yes, the DIHR encourages the regulator to develop PAI indicators for the companies managing real estate assets. Human rights organisations have raised concerns about the impacts that the increasing financialisation of housing (i.e., the purchase of real estate assets by financial institutions) has on the affordability and availability of housing, especially for low-income and vulnerable groups (for an overview see the [Shift Directives. From financialised to human rights based housing](#)). The DIHR recommends that, at the very least, real estate companies should report on whether their human rights policies include a commitment to the right to adequate housing (as understood in art 11.1 of the International Covenant on Economic, Social and Cultural Rights), whether they have a human rights due diligence process in place and whether they have grievance mechanisms where affected tenants can lodge complaints about the affordability, security of tenure, habitability and accessibility of housing. |

<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>

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<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>

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<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>

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<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>

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<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>

|Yes, the DIHR agrees with this approach as it would increase transparency on data collection. |

<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>

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<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>

|TYPE YOUR TEXT HERE

The DIHR endorses the regulator’s objective to seek policy coherence with other regulations such as the CSRD. According to the draft ESRS published by EFRAG, the disclosure of value chain data for workers, communities and consumers/end user is dependent upon a double materiality assessment. However, the DIHR notes that companies in scope of CSRD have discretion in conducting and justifying their double materiality assessments and that there will be situations when material value chain human rights risks might not be identified and reported on. Moreover, recital 3 in the draft RTS in the consultation paper implies that investors can use other sources of data such as third party data providers- rather than strictly company reported data – in the case of companies not subject to CSRD. The DIHR welcomes the suggestion that investors should seek other data sources, but cautions against restricting this approach to companies not in scope of CSRD. In accordance with international standards, investors should be encouraged to seek data from different and multiple sources (e.g. corporate reporting, third party data providers, civil society organisations) to improve their ability to identify, prioritise and address their principal adverse impacts. We recommend that the RTS should be amended to clarify that value chain data for all investee companies should be included if data is available without being prescriptive as to which sources investors should use.

Finally, the DIHR encourages the regulator to assess whether FMPs should be required to report separately on indicators for value chain performance. This would add a layer of granularity to the data reported which has the advantage of enabling end investors to assess the nature of human rights impacts in FMPs’ portfolios, including whether policies to identify and prioritise impacts and engagement policies (as per art 7 and 8 of RTS) are well geared towards addressing those impacts.

|

<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>

|TYPE YOUR TEXT HERE |

<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>

[TYPE YOUR TEXT HERE]

<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>

[TYPE YOUR TEXT HERE]

<ESMA_QUESTION_SFDR_16>

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

<ESMA_QUESTION_SFDR_17>

[TYPE YOUR TEXT HERE]

<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>

[TYPE YOUR TEXT HERE]

<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>

[TYPE YOUR TEXT HERE]

<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>

[TYPE YOUR TEXT HERE]

<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>

[TYPE YOUR TEXT HERE]

<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>

[TYPE YOUR TEXT HERE]

<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>

[TYPE YOUR TEXT HERE]

<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>

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<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>

|TYPE YOUR TEXT HERE |

<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>

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<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>

[TYPE YOUR TEXT HERE]

<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>

[TYPE YOUR TEXT HERE]

<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>

[TYPE YOUR TEXT HERE]

<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>

[TYPE YOUR TEXT HERE]

<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>

[TYPE YOUR TEXT HERE]

<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>

[TYPE YOUR TEXT HERE]

<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>

[TYPE YOUR TEXT HERE]

<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>

[TYPE YOUR TEXT HERE]

<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>

|TYPE YOUR TEXT HERE |

<ESMA_QUESTION_SFDR_35>

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

<ESMA_QUESTION_SFDR_36>

|In respect to the social safeguards criterion in Art 3(c) of the Taxonomy Regulation, the DIHR notes the FAQ published by the Commission on the interpretation and implementation of certain provisions of the Taxonomy Regulation in June 2023. That FAQ makes reference to the EU Sustainable Finance Platform [report](#) on the implementation of minimum safeguards. The DIHR recommends that ESA’s advice reference those documents as they provide authoritative guidance on how compliance with minimum safeguards can be assessed. |

<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>

|TYPE YOUR TEXT HERE |

<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>

|TYPE YOUR TEXT HERE |

<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>

[TYPE YOUR TEXT HERE]

<ESMA_QUESTION_SFDR_39>

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

<ESMA_QUESTION_SFDR_40>

[TYPE YOUR TEXT HERE]

<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>

[TYPE YOUR TEXT HERE]

<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>

[TYPE YOUR TEXT HERE]

<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>

[TYPE YOUR TEXT HERE]

<ESMA_QUESTION_SFDR_43>