



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	State Street Global Advisors Europe Limited
Activity	Investment Services
Are you representing an association?	<input type="checkbox"/>
Country/Region	Europe

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>

As an initial matter, we agree that refinements are necessary to simplify the SFDR regime, but do not agree with substantive changes to the current regulatory technical standards supplementing SFDR (Level 2) until further clarification can be provided on the overarching legal framework (Level 1) --- which the European Commission has already scheduled for later this year. This will allow the ESAs to take into consideration the final European Sustainability Reporting Standards (“ESRS”) for companies. Prematurely amending SFDR RTS ahead of probable changes to the Level 1 framework will be disruptive for financial market participants, end-investors, supervisors, data providers and a range of other stakeholders.

The asset management industry has expended significant resources to implement the current SFDR framework, with the first periodic reports being disclosed now. Since SFDR came into effect in March 2021, pre-contractual documents, in some cases, have been updated multiple times (4+) to be compliant. This is unduly burdensome for financial market participants---presumably also National Competent Authorities where regulatory approvals are required---but, most importantly, it causes confusion among investors. The disorderly evolution of SFDR has already diminished investor trust in sustainable products associated with the SFDR regime, and so we urge the ESAs to move ahead with proposing further Level 1 changes only once the Level 1 text has been reviewed.

Therefore, we do not agree with the proposed extension of principal adverse impact (PAI) reporting to the proposed 4 additional mandatory social indicators at this time. The ESAs have acknowledged on several occasions, including in this consultation, that financial market participants face challenges

Information Classification: General

in obtaining the ESG-relevant data to meet SFDR obligations. This is certainly true for the proposed additional social indicators, since current data coverage is extremely low. The EU Corporate Sustainability Reporting Directive (CSRD) may help to close some of the data gaps, but there will be limitations. Detailed reporting standards supplementing CSRD are yet to be finalised, with first reports only due in 2025, and will not solve for the entire investment universe. We understand that the European Commission is considering shifting the approach to corporate sustainability disclosures such that companies would only have to disclose information where they have identified indicators to be material based on internal assessment. This includes 3 out of the 4 proposed social PAI indicators.

Should the ESAs move forward with this proposal, at a minimum, financial market participants should be given the option to disclose under SFDR's 'opt-in' mechanism (*i.e.*, on a voluntary basis) |

<ESMA_QUESTION_SFDR_1>

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

<ESMA_QUESTION_SFDR_2>

| See question 1 – we do not agree with the proposed mandatory social indicators, at this time. In addition, any future review of the SFDR regime and PAI reporting should avoid use of unclear or undefined terminology. For example, the term “employees” is not standardised across legal frameworks globally; similarly, we expect there to be varied interpretation of terms such as “adequate wage”, “excessive use” and “insufficient employment”. In addition, “earning in non-cooperative tax jurisdictions” is not a required datapoint from companies under the current draft of the ERSs’. We therefore do not believe it would be appropriate to mandate such a requirement for financial market participants under the SFDR regime. |

<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>

| See question 2. |

<ESMA_QUESTION_SFDR_3>

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

<ESMA_QUESTION_SFDR_4>

| See question 1 and 2. |

<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>

| Whilst we appreciate the ESAs seeking to address challenges with integrating existing international frameworks and norms as part of their SFDR compliance, we are concerned by the proposal to replace reference to UN Global Compact (UNGC) and OECD Guidelines for Multinational Enterprises with references to UN Guiding Principles on Business and Human Rights, including the Declaration of the International Labour Organisation on Fundamental Principles and Rights of Work and the International Bill of Human Rights.

In our view, this would represent a significant departure from current market practice in the asset management sector. First, this could impact funds whose investment strategy employ exclusionary screens on the premise of the UNGC or tracks an index that uses UNGC screens in the index construction methodology, especially where this would necessitate further updates to pre-contractual disclosures which would in turn require regulatory (and potentially shareholder) approval. Second, given financial market participants are reliant on obtaining ESG data from third party providers in order to satisfy the extensive SFDR PAI reporting requirements, there would need to be similar requirements for providers to change methodologies in line with SFDR. Third, as a more general matter, the UNGC is currently utilised by financial market participants as a proxy for 'good governance' in many funds [categorised under the SFDR framework] in the absence of SFDR having provided any definition.

Our understanding is that the two frameworks the ESAs have proposed to replace the UNGC with are subsets of the UNGC. It is therefore unclear as to what the ESA's rationale for proposing such a change, and we urge the ESAs to carefully consider the implications, which are likely to be disruptive. In addition, we would recommend soliciting feedback directly from ESG data providers, who are utilising these international frameworks in their proprietary ESG methodologies, given financial market participants' reliance on their data for SFDR compliance.

<ESMA_QUESTION_SFDR_5>

Q6 : For real estate assets, do you consider relevant to apply any PAI indicator related to social matters to the entity in charge of the management of the real estate assets the FMP invested in?

<ESMA_QUESTION_SFDR_6>

| We do not have specific comments at this time. |

<ESMA_QUESTION_SFDR_6>

Q7 : For real estate assets, do you see any merit in adjusting the definition of PAI indicator 22 of Table 1 in order to align it with the EU Taxonomy criteria applicable to the DNSH of the climate change mitigation objective under the climate change adaptation objective?

<ESMA_QUESTION_SFDR_7>

| We do not have specific comments at this time. |

<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>

| There is a disconnect between the time of measurement of value of investment (INV) and enterprise value (EVIC). INV is measured at the report date (e.g. Dec 31, 2022) whereas EVIC is measured at the end of the fiscal year (usually, the year to which emissions data relates to, meaning this could be, in some cases, two or even three years before the reporting deadline. Furthermore, given EVIC is a market price linked factor, there is room for wide variation in the measurements of one company to the next. This is particularly relevant for indicators where absolute values are measured (e.g., absolute emissions – PAI-1), where the numerator is measured today, but denominator is measured at an earlier date. |

<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>

| In general, any changes to the formulae would need to be after the first PAI reporting due to the timing, and therefore the ESAs should consider how clients will be able compare reports issued this year with subsequent reporting.

Specifically with respect to the proposed adjustments to climate metrics, we recommend the ESAs provide clarification on PAI-20 sovereign GHG intensity given the methodology for calculating scopes 1, 2 and 3 greenhouse emissions has not been defined for sovereign entities. |

<ESMA_QUESTION_SFR_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>

|See question 9. |

<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>

We are not opposed to disclosing the share of information for the PAI indicators for which the financial market participant relies on information directly from investee companies. It should be noted that this would, in many cases, be a relatively low share (compared to information currently sourced via third parties) at present. This is because investee companies are not yet publicly disclosing relevant information, however, we hope that incoming mandatory sustainability disclosure standards (e.g., the Corporate Sustainability Reporting Directive) would see the share of information sourced directly from investee companies increase.

<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>

|TYPE YOUR TEXT HERE |

<ESMA_QUESTION_SFDR_12>

Q13 : Do you agree with the ESAs’ proposal to only require the inclusion of information on investee companies’ value chains in the PAI calculations where the investee company reports them? If not, what would you propose as an alternative?

<ESMA_QUESTION_SFDR_13>

[We agree to only require the inclusion of information on investee companies' value chains in the PAI calculations where the investee company reports them. It may be prudent to also consider the ongoing negotiations regarding the new Corporate Sustainability Due Diligence Directive, given it seeks to establish a definition of 'value chain' in the context of sustainability related 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>

[There are inherent challenges in the current SFDR regime, which the ESAs laudably seek to address. However, extending the PAI reporting regime to derivatives would, in our view, add greater complexity given the developmental nature of ESG-linked derivatives. The treatment of derivatives under SFDR should be considered as part of the European Commission's wider Level 1 review process.]

<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>

[See question 14.]

<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>

[While we do not disagree with the ESAs' assessment, it would be helpful to first clarify the interaction between Taxonomy-aligned investments and SFDR sustainable investments, which should be addressed in the forthcoming Level 1 review.]

<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>

[We generally agree that it would be relevant to disclose quantitative thresholds that are used to take into account the PAI indicators for 'do no significant harm', however, there should be further consideration of potentially broader implications, such as updates to fund documentation in addition to financial market participants' ongoing monitoring and review of such thresholds.]

<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>

[It would be helpful to first clarify the interaction between Taxonomy-aligned investments and SFDR sustainable investments in the Level 1 rules, which we hope the European Commission's forthcoming legislative review will do.]

<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>

[See question 19.]

<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>

[See question 17.]

<ESMA_QUESTION_SFDR_21>

Q22 : Do you agree that the proposed disclosures strike the right balance between the need for clear, reliable, decision-useful information for investors and the need to keep requirements feasible and proportional for FMPs? Please explain your answers.

<ESMA_QUESTION_SFDR_22>

[We refer to comments throughout regarding the importance of ensuring interpretational challenges with the Level 1 SFDR framework, as well as other relevant EU legislation, is addressed prior to Level 2 changes.]

<ESMA_QUESTION_SFDR_22>

Q23 : Do you agree with the proposed approach of providing a hyperlink to the benchmark disclosures for products having GHG emissions reduction as their investment objective under Article 9(3) SFDR or would you prefer specific disclosures for such financial products? Do you believe the introduction of GHG emissions reduction target disclosures could lead to confusion between Article 9(3) and other Article 9 and 8 financial products? Please explain your answer.

<ESMA_QUESTION_SFDR_23>

[We do not have any specific comments at this time.]

<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>

[Yes, we agree that this distinction is useful, since intentionality is important, and it would align with proposed approaches in other jurisdictions.]

<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>

Disclosure with respect to “the degree of paris alignment” is not robustly measurable at this stage. Several forward-looking methodologies are available (e.g., implied temperature rise) but not yet standardised. Whilst requiring such disclosure could help to evolve reporting capabilities in due course, it will not improve comparability across products in the near-term. |

<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>

Yes, to ensure consistent approach, the target should not be calculated only for those investments that have a target, but also include those without one. |

<ESMA_QUESTION_SFDR_26>

Q27 : Do you agree with the proposed approach to require that, at product level, Financed GHG emissions reduction targets be set and disclosed based on the GHG accounting and reporting standard to be referenced in the forthcoming Delegated Act (DA) of the CSRD? Should the Global GHG Accounting and Reporting Standard for the Financial Industry developed by PCAF be required as the only standard to be used for the disclosures, or should any other standard be considered? Please justify your answer and provide the name of alternative standards you would suggest, if any.

<ESMA_QUESTION_SFDR_27>

We are supportive of the EU adopting globally-accepted standards, in general, however, we do not consider there to be any ‘gold’ standard developed, at this stage. We therefore recommend the ESAs refrain from proposing a specific methodology as the only standard to be used for disclosures. |

<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 ERS E1? Please explain your answer.

<ESMA_QUESTION_SFDR_28>

Yes, however, we recommend requiring the disclosure of net and gross emissions, rather than gross and credits. Negative emissions technologies are likely to be needed to achieve 'net zero' goals, and disallowing the use of these could be detrimental to innovation. |

<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 your answer.

<ESMA_QUESTION_SFDR_29>

No, product targets can be entirely independent from entity level commitments, especially in view of changes to EU sectorial legislation requiring financial market participants to take into account clients' sustainability preferences in product manufacturing and distribution. |

<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>

ESG strategies are wide ranging and varied in their approach; accordingly the detailed disclosures provided in the templates are valuable and provide important protections for both investors and FMPs alike. Whilst we strongly support measures to enhance investors' understanding of and access to product information, we are concerned that investors (and distributors, for that matter) may rely more on the summary dashboard and not read the important detailed disclosures contained below. This may be an impediment to making effective, informed investment decisions. |

<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>

| Yes, we agree that the current templates should contain all the relevant information for retail investors, but they could be simplified in order to allow information to be presented in a less rigid format, as mentioned. |

<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>

| In general, disclosures should be simplified in a way that minimizes the need for repetition/duplication. |

<ESMA_QUESTION_SFDR_32>

Q33 : Is the investment tree in the asset allocation section necessary if the dashboard shows the proportion of sustainable and taxonomy-aligned investments?

<ESMA_QUESTION_SFDR_33>

| The investment tree is, in our view, of limited benefit to investors. It is difficult for financial market participants to utilise the prescribed format in a way that allows for information to be meaningfully presented to investors. |

<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>

| We do not consider the focus on colour-coding disclosures to be an immediate priority --- especially as it would be lost on investors that chose to print fund documentation in black and white. |

<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>

| In principle, displaying such disclosures in an extendable manner electronically would be beneficial, but there would need to be adjustments to avoid significant costs to financial market participants, investors and supervisors arising from complex technological enhancements. |

<ESMA_QUESTION_SFDR_35>

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

<ESMA_QUESTION_SFDR_36>

Estimations may be the only choice that a financial market participant has, since SFDR introduces requirements that necessitate new information currently undisclosed by investee companies. It would be premature to establish specific criteria beyond financial market participants providing transparent information as to how estimates were arrived at. |

<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 otenmetrics be defined?

<ESMA_QUESTION_SFDR_37>

We do not see a need for a more specific definition at this time. |

<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>

Under the current set-up, disclosing the proportion of sustainable investment of financial products is, in our view, of very limited value to investors. In the absence of standardisation, product providers have to define what constitutes a sustainable investment, which, in turn, can lead to inconsistent interpretation. Different product providers often report different percentages of a funds’ sustainable investments for the exact same underlying. This is not only confusing to investors, but may create an incentive to report higher percentages, which increase the risk of greenwashing. This is a disfunctional environment as it suggests one product to be “more sustainable” than another although the underlying holdings are (close to) identical – this is particularly true in the context of index management. Additionally, under the current SFDR regime, index providers are not able to utilise product providers’ proprietary methodologies for defining “sustainable investment” in their index methodologies, which further exacerbates the aforesaid issue. |

<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>

In general, we agree that cross-referencing in periodic disclosures would be beneficial to avoid duplication and repetitive information to investors. However, the consultation discusses cross-references to standalone documents relevant for those products used by multi-option solutions. This would require the creation of separate periodic reports for each product available, whereas the periodic reports are produced at an umbrella level. As such, we do not agree that this would be beneficial to address information overload.]

<ESMA_QUESTION_SFDR_39>

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

<ESMA_QUESTION_SFDR_40>

See question 39. Financial market participants should be able to cross-reference documentation instead of having to include verbatim language in website disclosures for multi-option products. To be clear, pre-contractual disclosure documents are not standalone documents; rather, they are annexes to funds' supplements (and, in the case of a SICAV, included directly in the prospectus). Carving out sections of pre-contractual disclosure documentation means that investors will have access too all of the information that is ordinarily provided to investors prior to investing in a product.]

<ESMA_QUESTION_SFDR_40>

Q41 : What are your views on the proposal to require that any investment option with sustainability-related features that qualifies the financial product with investment options as a financial product that promotes environmental and/or social characteristics or as a financial product that has sustainable investment as its objective, should disclose the financial product templates, with the exception of those investment options that are financial instruments according to Annex I of Directive 2014/65/EU and are not units in collective investment undertakings? Should those investment options be covered in some other way?

<ESMA_QUESTION_SFDR_41>

[We do not have specific comments at this time.]

<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>

| We do not have specific comments at this time. |

<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>

| It is difficult to estimate the costs associated with the proposed policy options, given there are several proposed changes that require further clarification. In short, any substantial changes to the status quo under the current SFDR could result in huge resource and cost impacts, as well as costs associated with potential unintended consequences such as reduced investor choice and/or trust in sustainable products. |

<ESMA_QUESTION_SFDR_43>