



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](http://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](http://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](http://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](http://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	BVI German Investment Funds Association
Activity	Other
Are you representing an association?	<input checked="" type="checkbox"/>
Country/Region	Germany

## Introduction

*Please make your introductory comments below, if any:*

<ESMA\_COMMENT\_TRART8\_1>

As fund managers, BVI<sup>1</sup> members are affected by the issues under consultation in a twofold way: first, as users of non-financial information published by their investee companies and second, as addressees of the reporting obligation in case they are listed companies with more than 500 employees. Therefore, BVI is grateful for the opportunity to comment on the proposed approaches for reporting under Art. 8 of the Taxonomy Regulation.

From the perspective of users of data to be reported by issuers with regard to the EU Taxonomy, **it is crucial to ensure a proper sequencing of events when the reporting obligations will enter into force** by 1 January 2022. It should be very clear that asset managers and other financial market participants that are bound to report either at company level under Art. 8 (1) or at the product level under Articles 5 and 6 will first need the reports by the investee companies about the extent of their Taxonomy-aligned activities in order to calculate the relevant shares in their portfolios. We believe that a coordinated phasing-in solution should be sought by the ESAs as part of the Level 2 work under Articles 5 and 6 that should involve the following stages:

- As of **1 January 2022, disclosure of the planned proportion of Taxonomy-compliant investments**, if such investments are part of a product's investment strategy, in the pre-contractual document,
- One year later, **as of 1 January 2023, reporting on the actual Taxonomy-related KPIs at the product level** calculated on the basis of issuer reports to be published in 2022.

With regard to the remaining four environmental objectives, the same procedure should be applied one year afterwards. For further details, please refer to our answers to Q19 and Q21.

From the perspective of appliers of the reporting requirements, **we strongly welcome ESMA's efforts to enhance feasibility of the Taxonomy reporting**. The following approaches proposed in the consultation paper are most helpful:

- **Focusing the calculation on eligible investments and sustainable funds:** We support basing the calculation on the value of eligible investments in sustainable funds, i.e. funds covered by Articles 8 and 9 SFDR. This approach would ensure consistency with Articles 5 and 6 of the Taxonomy Regulation that require disclosures of proportions of investment portfolios in such funds that are invested in line with the Taxonomy. We are also in favour of focusing on the value of eligible investments that can be assessed against the Taxonomy, since it is best suited to provide conclusive information. More details on these suggestions can be found in our answers to Q33 and Q34.
- **Bridging the data gap and widening the reference base for Taxonomy-related calculations:** We strongly support the general suggestion made by ESMA to develop a sound estimation methodology for assessing investment in companies not subject to the reporting obligation under Art. 8. However, we are concerned that the particular approach envisaged in the consultation paper might be too simplistic. In particular, while a sector-based coefficient of Taxonomy-aligned activities might make sense for portfolio companies based in the EU, it will probably lack a sound basis to assume the same level of environmentally sustainable activities and investments in third-country undertakings operating in different regulatory and economic ecosystems. Therefore, for the time being, we favour the approach proposed by the TEG that distinguishes between disclosure of fully and potentially



Taxonomy-aligned activities for the purpose of reporting under the EU Taxonomy. For further details, please refer to our answer to Q38.

<sup>1</sup> BVI represents the interests of the German fund industry at national and international level. The association promotes sensible regulation of the fund business as well as fair competition vis-à-vis policy makers and regulators. Asset Managers act as trustees in the sole interest of the investor and are subject to strict regulation. Funds match funding investors and the capital demands of companies and governments, thus fulfilling an important macro-economic function. BVI's 114 members manage assets more than 3,6 trillion euros for retail investors, insurance companies, pension and retirement schemes, banks, churches and foundations. With a share of 27%, Germany represents the largest fund market in the EU. BVI's ID number in the EU Transparency Register is 96816064173-47. For more information, please visit [www.bvi.de/en](http://www.bvi.de/en).

<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>  
TYPE YOUR TEXT HERE  
<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>  
TYPE YOUR TEXT HERE  
<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>  
TYPE YOUR TEXT HERE  
<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>  
TYPE YOUR TEXT HERE  
<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>  
TYPE YOUR TEXT HERE  
<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>  
TYPE YOUR TEXT HERE  
<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>  
TYPE YOUR TEXT HERE  
<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>  
TYPE YOUR TEXT HERE  
<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>  
TYPE YOUR TEXT HERE  
<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>  
TYPE YOUR TEXT HERE  
<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>  
TYPE YOUR TEXT HERE  
<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>  
TYPE YOUR TEXT HERE  
<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>  
TYPE YOUR TEXT HERE  
<ESMA\_QUESTION\_TRART8\_15>

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

<ESMA\_QUESTION\_TRART8\_16>  
TYPE YOUR TEXT HERE  
<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>  
TYPE YOUR TEXT HERE  
<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>  
TYPE YOUR TEXT HERE  
<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 strongly support the general approach to apply the reporting obligation to the preceding financial year. For disclosures on the first two environmental objectives, this should mean that the first reported data should relate to the reporting year 2021, whereas in relation to the remaining four environmental objectives, data should be reported for the financial year 2022.

However, the issue of sequencing of reports still remains unresolved. The Taxonomy Regulation obliges both, issuers and financial market participants to report on the extent of their Taxonomy-related activities from 1 January 2022 for the first two environmental objectives and one year later for the remaining four objectives. However, it should be very clear that the first reports to be issued at the asset manager's level under Article 8 and at the product level under Articles 5 and 6 will be meaningless if required by 1 January 2022 due to the lack of reference data for conducting the relevant calculations.

Therefore, we urge ESMA to seek for a solution to this problem in collaboration with the other ESAs. Especially with regard to the Taxonomy-related disclosures at the product level, we would suggest a **coordinated phasing-in solution** that would involve the following stages:

- As of **1 January 2022, disclosure of the planned proportion of Taxonomy-compliant investments**, if such investments are part of a product's investment strategy, in the pre-contractual document,
- One year later, **as of 1 January 2023, reporting on the actual Taxonomy-related KPIs** at the product level calculated on the basis of issuer reports to be published in 2022.

With regard to the remaining four environmental objectives, the same procedure should be applied one year afterwards.

We believe that the ESAs are entitled to set out this way of proceeding in the upcoming RTS to SFDR that will implement product-related disclosure duties under the Taxonomy. This approach would ensure that reporting of Taxonomy-relevant KPIs can be based from the outset to a large extent on reliable information from issuers. Questionable estimations or reporting of very low Taxonomy quota in sustainable products simply due to the lack of data could be avoided and investors' trust in the integrity of the ESG market could be upheld.

<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>

TYPE YOUR TEXT HERE

<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>

Compliance of financial market participants would be facilitated by a stringent approach to the sequencing of reporting in terms of Taxonomy-related KPIs. The Taxonomy Regulation obliges both, issuers and financial market participants to report on the extent of their Taxonomy-related activities from 1 January 2022 for the first two environmental objectives and one year later for the remaining four objectives. However, it should be very clear that the first reports to be issued at the asset manager's level under Article 8 and at the product level under Art. 5 and 6 will be meaningless if required by 1 January 2022 due to the lack of reference data for conducting the relevant calculations.



Therefore, we urge ESMA to seek for a solution to this problem in collaboration with the other ESAs. Especially with regard to the Taxonomy-related disclosures at the product level, we would suggest a **coordinated phasing-in solution** that would involve the following stages:

- **As of 1 January 2022, disclosure of the planned proportion of Taxonomy-compliant investments**, if such investments are part of a product's investment strategy, in the pre-contractual document,
- One year later, **as of 1 January 2023, reporting on the actual Taxonomy-related KPIs** at the product level calculated on the basis of issuer reports to be published in 2022.

With regard to the remaining four environmental objectives, the same procedure should be applied one year afterwards.

We believe that the ESAs are entitled to set out this way of proceeding in the upcoming RTS to SFDR that will implement product-related disclosure duties under the Taxonomy. This approach would ensure that reporting of Taxonomy-relevant KPIs can be based from the outset to a large extent on reliable information from issuers. Questionable estimations or reporting of very low Taxonomy quota in sustainable products simply due to the lack of data could be avoided and investors' trust in the integrity of the ESG market could be upheld.

<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>

TYPE YOUR TEXT HERE

<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>

Yes, we agree. We are also in favour of providing the standardised table in a machine-readable format through a European single access point with suitable interfaces in order to facilitate the use of directly reported data by investors.

<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>

We are supportive of the general approach to require disclosures at the activity level that distinguish between percentages of fully aligned and potentially aligned economic activities. With regard to the latter, the reason for failing the technical criteria should be flagged, as proposed by ESMA, in order to enable asset managers and other investors to engage with a company on the relevant issues.

As regards the details of the presentation, we suggest the following simplifications and adaptations:

- The table should apply only to activities for which technical criteria under the Taxonomy have been developed (so-called eligible economic activities). We see no point in including information on activities not considered eligible under the Taxonomy. Columns 4 and 5 in the proposed table could thus be deleted.
- The table provides solely for information on Taxonomy-aligned proportion of turnover. Information on proportions of CapEx and OpEx associated with environmentally sustainable activities is currently lacking from the table and should be included in the final version.
- The last column distinguishes only between transitional and enabling activities and does not provide for disclosure of fully environmentally sustainable activities that make the biggest contribution to the environmental objectives. E.g. production of electricity from solar or wind power, or construction of new buildings meeting the Taxonomy criteria are “fully green” activities that should be disclosed in the first place. Alternatively, a flag for transitional/enabling activities could be considered as these activities need to be disclosed separately by product providers under Art. 5 and 6 of the Taxonomy Regulation (cf. also our comments to Q 42 below).

<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 agree with the proposed approach to calculate the KPI(s) for fund managers as a share of investments in Taxonomy-aligned activities.

<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>

The only activity that could potentially be considered for the purpose of Taxonomy reporting is the management of individual portfolios. Other activities such as safekeeping and administration of assets or reception or transmission of orders are ancillary tasks that support investment decisions by clients. With regard to investment advice, asset managers have generally no adequate oversight over the outcomes of their recommendations, i.e. whether the client follows a recommendation to buy, hold or sell an asset. Therefore, there is no suitable basis for calculating KPI(s) on Taxonomy-aligned activities in relation to the service of investment advice.

Generally, we support a straightforward implementation approach focusing on the management of investment funds as the main business activity of fund management companies.

<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 calculation approach as such. However, it must be noted that investments in investee companies are not the only assets that should be considered for the purpose of applying the Taxonomy. ESMA already recognises that green bonds issued by sovereign issuers can also be assessed against the Taxonomy criteria; this applies to all green bonds, not only to those complying with the future EU Green Bond Standard. However, since the EU Taxonomy applies primarily to economic activities, it is also important that financing of green infrastructure or green projects in general is encompassed by the scope of eligible activities. The same applies to direct investments in real estate since also real estate activities are classified as relevant under the EU Taxonomy. This needs to be reflected in the text of the technical advice that not focuses almost exclusively on investments in investee companies.

<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 suggest making the disclosure of the **main turnover-derived KPI mandatory** for asset managers, while allowing for **optional additional disclosures of KPIs based on CapEx and OpEx**. There are many open questions with regard to the calculation of CapEx and OpEx indicators, especially with regard to the sustainable real estate activities. . Without a sound legal basis, calculation of such indicators should not be required.

The open questions with regard to calculation of quota for real estate funds relate especially to the following:

- What is the basis for turnover KPI calculations in a real estate portfolio?
- In case of renovation of existing buildings that meets the technical criteria under the Taxonomy, can it be assumed that the entire property will be treated as environmentally sustainable, at least for a certain timespan?
- What is the reference base for CapEx and OpEx calculations?

These issues need to be sorted out, at least in the course of the upcoming consultation on product-level disclosures under Art. 5 and 6 Taxonomy Regulation, in order to ensure consistency of calculations and comparability of the reported data. We will be happy to contribute to this debate in due course.

<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>

We do not see the possibility to assess traditional sovereign exposures against the criteria of the Taxonomy. On the other hand, green bonds issued by sovereigns and sub-sovereigns should count as eligible assets for the purpose of Taxonomy application, regardless of whether they have been issued in accordance with the future EU Green Bonds Standard or a relevant market standard for green bonds. In the latter case, however, adherence to the Taxonomy criteria will need to be assessed based on the available information.

<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>

We strongly support limiting the denominator to the value of eligible investments that can be assessed against the Taxonomy, since it is best suited to provide conclusive information. A wider reference base for calculation including all assets would lead to meaningless results. E.g. in case of an asset manager having large sovereign exposures and only a few equity-based funds, the proportion of Taxonomy-aligned activities based on the entire value of assets under management might be very low simply due to a high proportion of assets to which the Taxonomy criteria cannot apply.

<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 support basing the calculation on the value of eligible investments in sustainable funds, i.e. funds covered by Articles 8 and 9 SFDR. This approach would ensure consistency with Articles 5 and 6 of the Taxonomy Regulation that require disclosures of proportions of investment portfolios in such funds that are invested in line with the Taxonomy. Moreover, it must be expected that data gaps relating to underlying investments in such funds will be lower as compared to the broader market. This is because issuers with high ESG scores are generally more engaged in sustainability reporting and hence, will likely be more inclined to provide information on Taxonomy-relevant KPIs even on voluntary basis, i.e. if not covered by the scope of NFRD.

<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 consider it appropriate to combine equity and fixed income investments in one Taxonomy-related KPI based on their contribution to the financing of Taxonomy-aligned activities. This means that for green bonds that finance 100% Taxonomy-aligned projects, the full value of the investment can be accounted for, whereas traditional corporate bond and equity investments will only partially contribute to the “green” investment quote depending on the proportion of Taxonomy-aligned revenues as reported by the issuer.  
<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>

The additional costs will largely depend on the approach proposed by ESMA with regard to the scope of relevant investments. If the Taxonomy-related KPIs were to be calculated only for the underlying investments in Article 8 and 9 funds, as suggested in Q34 above, the additional costs would be rather low and effectively limited to reporting aggregated figures at the fund company level. If, however, the KPI(s) to be reported under Article 8 (1) of the Taxonomy Regulation were to be based on the eligible investments in all managed funds, the additional costs must be estimated as significant. Under this approach, affected fund managers would need to collect Taxonomy-relevant data on all eligible investment, especially all investments in investee companies, that would in most cases mean purchasing further data packages from commercial vendors.

<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>

The obvious benefit of such an approach would be that the Taxonomy-related KPI(s) could be calculated on the basis of reliable data reported by the issuers and thus would represent a valid figure that could be compared across the sectors. As regards the associated costs, we do not see great benefits in terms of the saving potential, since the issuer reports are currently not available from one centralised database in a machine-readable format. As long as no single access point has been created for accessing company data, asset managers will continue to purchase such data from commercial vendors that offer suitable interfaces in order to feed the data into the manager’s IT systems.

On the other hand, basing the KPI calculations solely on data reported by NFRD issuers would clearly restrict the scope of consideration and might be not representative in case of asset managers with large investments in third-country markets or in non-listed companies. In case of direct investments especially in real estate, the necessary data is available to the fund manager; such investments should not be disregarded for the purpose of calculating the Taxonomy quota.

<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 agree with ESMA that data on Taxonomy-related KPIs will be available only for a fraction of eligible investments. In these circumstances, **we strongly support efforts to bridge the data gap and to widen the reference base for calculating quota of investments aligned with the Taxonomy.**

However, we are concerned that the approach envisaged in the consultation paper might be too simplistic. In particular, while a sector-based coefficient of Taxonomy-aligned activities might make sense for portfolio companies based in the EU, it will probably lack a sound basis to assume the same level of environmentally sustainable activities and investments in third-country undertakings operating in different regulatory and economic ecosystems. For third-country issuers, application of the Taxonomy will already

fail due to the impossibility to classify their business activities according to the NACE code and to establish a relevant proportion of revenues, Capex or Opex.

Therefore, the EU should intensify efforts to either incentivise or require reporting of Taxonomy-related indicators from as many non-EU companies as possible. In the meantime, we favour the approach proposed by the TEG that distinguishes between disclosure of fully and potentially Taxonomy-aligned activities (cf. TEG final report, section 3.3.7 on page 41). Economic activities can be considered potentially aligned in case they meet the technical criteria for substantial contribution, but full compliance with other criteria, especially the “do not significant harm” requirements, cannot be demonstrated due to the lack of data.

<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 reporting should be based on the relevant economic exposure in the portfolio after netting potential hedges and offsets. As regards the netting methodology, we favour direct reliance on the **commitment approach as laid down in Art. 8 of the AIFM Delegated Regulation** given that this approach is already being used for calculating net leverage at the fund level.

<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 understand that this question applies to situations where economic exposure in a portfolio is created by holding derivative positions. In this respect, it is important to understand that while funds with ESG strategies rarely focus on investing via derivatives other than for the purpose of hedging or risk overlay, the use of derivatives is sometimes the only possibility to invest in certain niche markets for legal or economic reasons. Therefore, it might make sense to differentiate between certain types of derivatives used for investment purposes. We will potentially provide more reflections on the treatment of derivatives in the course of the upcoming consultations on product-level disclosures under Art. 5 and 6 Taxonomy Regulation

<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 are currently not in a position to provide quantitative cost estimates for different options for implementation. However, it is clear that strict requirements for assessing investment portfolios against the Taxonomy regardless of the availability of data reported by issuers would drive up the costs for both, initial implementation and ongoing data supply. On the other hand, costs of purchasing data on Taxonomy-compliance from commercial vendors cannot be avoided altogether in the current setup. As long as no single access point has been created for accessing reported company data in a machine-readable format, asset managers will continue to purchase such data from commercial vendors that offer suitable interfaces in order to feed the data into the manager’s IT systems.

<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>

We have the following suggestions in this regard:

- As explained in our reply to Q31 above, we are **in favour of only optional disclosures of KPIs based on CapEx and OpEx** that would supplement the main indicator calculated on the basis of turnover.
- The **main indicator should be renamed** to make clear that it displays the percentage of Taxonomy aligned revenues. The presentation as proposed in the draft table creates the impression that CapEx and OpEx figures are already included in the main indicator that features as percentage of “overall Taxonomy-alignment of investments”. All three indicators represent different measures for Taxonomy compliance that should be clearly distinguished.
- We subscribe to the proposed breakdown of the main indicator by environmental objective, if such breakdown will be available from issuers’ reports, and to differentiating between categories of economic activities. On the latter point, however, **the draft table is flawed**:
  - o **First, it distinguishes only between transitional and enabling activities** and does not provide for disclosure of fully environmentally sustainable activities that make the biggest contribution to the environmental objectives. E.g. production of electricity from solar or wind power, or construction of new buildings meeting the Taxonomy criteria are “fully green” activities that should be disclosed in the first place
  - o **Second, transitional activities are acknowledged by the Taxonomy only for the first environmental objective** of climate change mitigation, cf. Article 10 (2) of the Taxonomy Regulation. They are not relevant to the remaining environmental objectives.
- **We disagree with requiring asset managers to report on their investments at the activity level**, i.e. distinguishing between specific economic activities. Such level of reporting is not useful to either investors or distributors. In case of possible estimations to be allowed for establishing percentages of Taxonomy-aligned investments, it might be misleading in terms of the actual accuracy underlying the calculations. Lastly, it might send wrong signals and mislead the stakeholders in case of indirect investments in sustainable activities, e.g. by holding shares of credit institutions or insurance companies that will report on Taxonomy quota base on their business activities. We are of the view that Taxonomy-based KPIs disclosed by banks and insurers under Article 8 should be taken into account for the calculations by asset managers, but cannot reasonably be assigned to the originally financed economic activities.

<ESMA\_QUESTION\_TRART8\_42>

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

<ESMA\_QUESTION\_TRART8\_43>

We agree.

<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>

TYPE YOUR TEXT HERE

<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>

TYPE YOUR TEXT HERE

<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>