

Joint consultation on taxonomy-related sustainability disclosures

<p>Q1: Do you have any views regarding the ESAs' proposed approach to amend the existing SFDR RTS instead of drafting a new set of draft RTS?</p>	<p>The Actuarial Association of Europe (AAE) welcome the approach proposed by the ESAs to establish a common EU-framework by amending the existing SFDR RTS. The AAE consider a "single rulebook" helpful in order to prevent increased complexity and additional costs.</p>
<p>Q2: Do you have any views on the KPI for the disclosure of the extent to which investments are aligned with the taxonomy, which is based on the share of the taxonomy-aligned turnover, capital expenditure or operational expenditure of all underlying non-financial investee companies? Do you agree with that the same approach should apply to all investments made by a given financial product?</p>	<p>The AAE basically agree with the objective that the same approach should apply to all investments made by a given product.</p> <p>Although the AAE welcome the opportunity to make a choice , the results might not be comparable to other investments. The goal must be to produce results which are comparable between investment products.</p> <p>With regard to government bonds the AAE see another problem. These are not regarded as sustainable by itself. This means that also European government bonds have to be rated in terms of the KPI.</p> <p>This proposed analysis certainly can not hold for this type of investments. Since especially government bonds play a major role within the portfolio of insurances and pension funds and since this type of investment has been pushed into the portfolios for decades by the regulator by defining these investments to be risk free (e.g. for the solvency regulation) it would introduce major problems if these investments now were punished under a new regulation regime.</p> <p>Therefore the AAE would appreciate if the ESAs would find a way to create either long transition periods or to avoid too heavy regulatory burden which could unduly limit the attractiveness of these investments.</p> <p>The AAE would like to point out that the KPI's should appropriately capture the differences that might occur whether it is a bank, asset manager or an insurer</p>

	<p>disclosing the information. This is necessary to achieve an end report which is relevant and reliable for any end users.</p> <p>With regard to the definitions used in the policy options the AAE see the need for further clarification, as</p> <p>(1) <u>revenue</u> can be understood in economic ways but also based on various financial accounting standards (incl. national tax-based ones),</p> <p>(2) <u>fee structure</u> could be captured but might consist of multiple parts incl. insurance layers,</p> <p>(3) capex/opex is not in similar ways defined and has problems similar to that in (1) and (2) but also might need to capture some capital requirements,</p> <p>(4) <u>amount of investments</u> might need to be split under life insurance into unit-linked part and insurers own investments.</p> <p>Therefore the AAE suggest to allow for more freedom (principles based ways) in order to decide on what would be the best KPI for different purposes and then possible explain the decision appropriately</p>
<p>Q3: Do you have any views on the benefits and drawbacks of including specifically operational expenditure of underlying non-financial investee companies as one of the possible ways to calculate the KPI referred to in question 2?</p>	<p>n/a</p>
<p>Q4: The proposed KPI includes equity and debt instruments issued by financial and non-financial undertakings and real estate assets, do you agree that this could also be extended to derivatives such as contracts for differences?</p>	<p>Some derivatives such as contracts for differences (CFD) might more easily be included, since these derivates can be associated to underlyings which can be rated in terms of the KPI. But it should be stated very clearly which form of derivatives can be included and which can't. It might in some cases be very difficult, time consuming and cost-intensive or even impossible to determine the KPI for complex instruments. Thus if any KPI for derivatives shall be determined the AAE would appreciate a very precise positive list of derivates which should be included and which not, ideally with a given systematic for each kind of derivative how to calculate the KPI.</p>
<p>Q 5: Is the use of "equities" and "debt instruments" sufficiently clear to capture relevant instruments issued by investee companies? If not, how could that be clarified? Are any specific valuation criteria necessary to ensure that the disclosures are comparable?</p>	<p>The proposed definition should be more deteiled.. It is possible to wrap many types of investments and transform them technically into different types. Therefore the terms have to be specified very clearly. As "debt instruments" comprise different types of assets like e.g. bonds and mortgages comparability might be impaired without further clarification.</p>

<p>Q 6: Do you have any views about including all investments, including sovereign bonds and other assets that cannot be assessed for taxonomy-alignment, of the financial product in the denominator for the KPI?</p>	<p>As stated above, it has to be very clearly defined which investments have to be included and which not. Furthermore clear rules for calculation are preferable. In Q 2 the AAE already have made the point that the AAE consider it very difficult to include government bonds. So far regulation always has led to a great share of government bonds within the portfolios of insurers and pension funds. The AAE would appreciate a solution that allowed maintaining these investments without detrimental effects.</p>
<p>Q 7: Do you have any views on the statement of taxonomy compliance of the activities the financial product invests in and whether those statements should be subject to assessment by external or third parties?</p>	<p>Though an external assessment might impose some degree of perceived objectivity it also imposes more complexity, cost and time effort. The advantages of an external assessment have to be carefully compared to the additional effort.</p>
<p>Q 8: Do you have any views on the proposed periodic disclosures which mirror the proposals for pre-contractual amendments?</p>	<p>n/a</p>
<p>Q 9: Do you have any views on the amended pre-contractual and periodic templates?</p>	<p>In the templates the minimum share of non-sustainable investments (not covered by the taxonomy regulation) has to be defined and further questions on this share have to be answered – e.g. “what is their purpose and are there any minimum environmental or social safeguards/Why does the financial product invest in economic activities that are not environmentally sustainable?”. While this might of interest for a consumer who want to compare different green investments in the pre-contractual template, the AAE don’t see an additional value and a rationale for incorporating this within the periodic templates. This would lead to heavy burden and minor results on sustainability</p>

<p>Q 10: The draft RTS propose unified pre-contractual and periodic templates applicable to all Article 8 and 9 SFDR products (including Article 5 and 6 TR products which are a sub-set of Article 8 and 9 SFDR products). Do you believe it would be preferable to have separate pre-contractual and periodic templates for Article 5-6 TR products, instead of using the same template for all Article 8-9 SFDR products?</p>	<p>Given that the above mentioned question about the purpose and standards of the not taxonomy-compliant part of the investment will be removed from the templates, one template for all investments reduces complexity.</p>
<p>Q 11: The draft RTS propose in the amended templates to identify whether products making sustainable investments do so according to the EU taxonomy. While this is done to clearly indicate whether Article 5 and 6 TR products (that make sustainable investments with environmental objectives) use the taxonomy, arguably this would have the effect of requiring Article 8 and 9 SFDR products making sustainable investments with social objectives to indicate that too. Do you agree with this proposal?</p>	<p>n/a</p>
<p>Q 12: Do you have any views regarding the preliminary impact assessments? Can you provide more granular examples of costs associated with the policy options?</p>	<p>n/a</p>