European Securities and Markets Authority

EUROPEAN BANKING AUTHORITY

EUROPEAN INSURANCE AND OCCUPATIONAL PENSIONS AUTHORITY

JOINT COMMITTEE OF THE EUROPEAN SUPERVISORY AUTHORITIES

Response form for the Joint Consultation Paper concerning ESG disclosures

23 April 2020

Date: 23 April 2020
ESMA 34-45-904

European Securities and Markets Authority | EUROPEAN BANKING AUTHORITY | EUROPEAN INSURANCE AND OCCUPATIONAL PENSIONS AUTHORITY | JOINT COMMITTEE OF THE EUROPEAN SUPERVISORY AUTHORITIES

Responding to this paper

The European Supervisory Authorities (ESAs) invite comments on all matters in this consultation paper on ESG disclosures under Regulation (EU) 2019/2088 on sustainability-related disclosures in the financial sector (hereinafter “SFDR”) and in particular on the specific questions summarised in Section 3 of the consultation paper under “Questions to stakeholders”.

Comments are most helpful if they:

- contain a clear rationale; and
- describe any alternatives the ESAs should consider.

When describing alternative approaches the ESAs encourage stakeholders to consider how the approach would achieve the aims of SFDR.

Instructions

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

- Insert your responses to the questions in the Consultation Paper in the present response form.

- Please do not remove tags of the type <ESA_QUESTION_ESG_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: ESA_ESG_nameofrespondent_RESPONSEFORM. For example, for a respondent named ABCD, the response form would be entitled ESA_ESG_ABCD_RESPONSEFORM.

- The consultation paper is available on the websites of the three ESAs and the Joint Committee. Comments on this consultation paper can be sent using the response form, via the ESMA website under the heading ‘Your input - Consultations’ by **1 September 2020**.

- Contributions not provided in the template for comments, or after the deadline will not be processed.

Publication of responses

All contributions received will be published following the close of the consultation, unless you request otherwise in the respective field in the template for comments. 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 public 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 ESAs 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) 2018/1725[1]. 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	Association of Real Estate Funds
Activity	Other Financial service providers
Are you representing an association?	☒
Country/Region	UK

Introduction

Please make your introductory comments below, if any:

<ESA_COMMENT_ESG_1>
We, the Association of Real Estate Funds (AREF), welcome the opportunity to comment on the consultation on ESG disclosures under Regulation (EU) 2019/2088 on sustainability-related dis-closures in the financial sector.
The Association of Real Estate Funds represents the UK real estate funds industry and has 67 member funds with a collective net asset value of more than £70 billion under management on behalf of their investors. The Association is committed to promoting transparency in performance measurement and fund reporting through the AREF Code of Practice, the MSCI/AREF UK Quarterly Property Funds Index and the MSCI/AREF Property Fund Vision Handbook.

Our Public Affairs Committee and ESG & Impact Investing Committee have both contributed to this consultation along with other AREF members. AREF would welcome dialogue with the ESAs regarding our response.
<ESA_COMMENT_ESG_1>

Q1 : Do you agree with the approach proposed in Chapter II and Annex I – where the indicators in Table 1 always lead to principal adverse impacts irrespective of the value of the metrics, requiring consistent disclosure, and the indicators in Table 2 and 3 are subject to an "opt-in" regime for disclosure??

<ESA_QUESTION_ESG_1>
TYPE YOUR TEXT HERE
<ESA_QUESTION_ESG_1>

Q2 : Does the approach laid out in Chapter II and Annex I, take sufficiently into account the size, nature, and scale of financial market participants activities and the type of products they make available?

<ESA_QUESTION_ESG_2>
Introduction

AREF is wholly supportive of the Sustainable Finance Disclosure Regulation (SFDR) but is of the view that the proposed Regulatory Technical Standards (RTS) do not achieve the objectives of the SFDR for real estate as an investment asset class.

AREF believes that the approach taken by the European Supervisory Authorities (ESAs) for transparency regarding adverse sustainability impacts as outlined in the RTS to the SFDR does not give sufficient consideration to the different types of financial products made available by financial market participants (FMPs). The ESAs are advised to take into account how the current drafting of the rules brings into scope certain asset classes (such as, for example, real estate assets) to which the sustainability factors and related metrics, as set out in the RTS, do not apply in practice.

The structure of the RTS assumes that investments are made in "investee" companies which will not be the case if the investment is in real estate assets. Funds that invest in such assets are nevertheless brought into the disclosure requirements of the RTS as it applies to all funds regulated by the Alternative Investment Fund Managers Directive (AIFMD).

This issue becomes even more problematic with the binary nature of compliance. The FMP must either comply or state that there is 'no consideration of sustainability adverse impacts'. FMPs managing a direct property fund for which compliance is impossible would have to state that there is 'no consideration of sustainability adverse impacts' even if this is incorrect. This would be misleading and have the perverse effect of removing any incentive to comply with those parts that are possible.

The real estate industry internationally has a number of widely accepted tools and metrics for measuring ESG performance in the asset class that would appear to correspond to the broader objectives of the EU initiative. These are specific to real estate, for which nuances and complexities pertaining to financial and operational control at the asset level are extensive and often highly specific, and would appear to be a better starting point than the current RTS for developing a framework for reporting for real estate in accordance with SFDR objectives. As discussed further below, the real estate industry is already working to ensure improved ESG disclosure (in both a listed and non-listed context) and AREF would be supportive of further industry effort to better align existing ESG reporting frameworks to the objectives and requirements of the SFDR.

Our response covers two broad areas:(i) issues for direct property funds with the proposed approach in the RTS; (ii) and a possible alternative approach that builds upon existing, well developed ESG reporting approaches already widely used in the real estate investment management industry.

In view of the practical challenges for implementation of the RTS and the limited time available, we would suggest that the application to FMPs managing products that invest in real estate as an asset class is both descoped and deferred until a more appropriate framework for the asset class can be developed, which in our view should build upon ESG reporting frameworks currently already in use by real estate investors, investment managers and service providers.

Issues with the proposed approach in the RTS

Article 4 SFDR requires FMPs of a certain size to publish and maintain on their website information providing transparency on the adverse impacts of their investment decisions to sustainability factors. This requirement applies to smaller FMPs on a comply or explain basis. The Level 1 text brings FMPs into scope at an entity level. On the basis that investment decisions are given effect by FMPs at a financial product level, the necessary disclosures will aggregate the relevant information from the financial products that are made available by the FMP. This drafting is agnostic to the asset class held in the financial product and brings real estate investments into scope. The heterogeneity of real estate investment products creates several challenges in this regard, particularly in terms of differing levels of operational control at the asset level and the effect this has on the collection of comprehensive ESG data across all assets and portfolios.

The sustainability factors proposed by the ESAs in Annex 1 of the RTS do not in practice apply to real estate asset investments that are held in financial products made available by FMPs, notwithstanding that these financial products are currently in scope of the SFDR disclosure requirements. Examples include:

- Social and employee matters. Financial products with real estate investments typically have direct ownership of the properties and buildings making up the portfolio. Unlike equity and fixed income investment into companies, the real estate assets themselves have no employees. This means that the various social and employee sustainability factors in the RTS cannot in practice be used to assess the adverse impact of investment decisions made by the FMP.

- Human rights. For similar reasons to those outlined above, investments into physical real estate assets do not adversely impact the human rights of natural persons which are outlined in the sustainability factors (such as, for example, trafficking in human beings, forced labour and child labour). Whilst human rights factors are certainly relevant and often material to real estate investment, this typically relates to asset management supply chains, for which the wording of the draft RTS does not provide appropriate reference.

Certain language used in the RTS suggests that the ESAs did not intended for the sustainability factors to apply to real estate investment. This is however a matter of interpretation and remains unclear. Relevant considerations include:

- Investee companies and entities. The terms “investee companies” and “entities” are used in several instances in the RTS and form the basis on which all of the sustainability factors are to be assessed and reported against. Recital 3 to the RTS provides on the meaning of these terms that "an investment in an investee company or an entity includes direct holdings of capital instruments issued by those entities and any other exposure to those entities through derivatives or otherwise". This wording suggests that the sustainability factors have been drafted to only apply to equity and fixed income investments.

- Exercising voting rights and shareholder engagement. Recital 15 to the RTS identifies that actions taken by FMPs in relation to identified adverse sustainability impacts include "exercising voting rights as a shareholder, sending letters to or attending meetings with the management of investee companies, setting up documented and time-bound engagement in actions or shareholder dialogue with specific sustainability objectives, planning escalation measures in case those objectives are not achieved". For similar reasons to those outlined above, this wording suggests that the adverse impact requirements have been drafted to only apply to equity and fixed income investments, albeit that these principles can be applied at least in part to indirect real estate investments managed where one FMP is allocating investor capital to the real estate products of other FMPs.

In light of the foregoing, the ESAs are recommended to give further consideration to the non-application of the sustainability factors to real estate investments and clarify this position (specifically for both direct and indirect real estate investment models) when revising the RTS as part of the consultation process. Clarification could be made in either a recital to the RTS or by defining the terminology used ("investee companies" and "entities") more explicitly in Article 1 to the RTS. Such clarification would provide much needed certainty to a large group of real estate financial products currently brought into scope of the adverse impact disclosure requirements.

Possible alternative approach

Investing in physical assets is very different from investing in operating businesses. The UN PRI (Principles for Responsible Investment) recognises that investment in different asset classes requires consideration of different ESG factors, which is a key reason why its Reporting Framework includes bespoke modules for different asset classes, including real estate ("property") on a stand-alone basis.. The proposed EU approach set out in the RTS consultation ties up most closely to the PRI report on active ownership in listed equity. Unlike the EU RTS, the PRI does not seek to apply this to all asset classes instead proposing different, tailored approaches. The PRI makes the following comment in respect of real estate:

A solid investment case for incorporating ESG factors, a competitive market and well-established regulation have encouraged real estate investors to implement some of the most comprehensive approaches to responsible investment. Nevertheless, ESG factors such as climate risk, and fragmented sustainability standards, still pose challenges to responsible investment in real estate.

As outlined in the introduction, the real estate industry internationally has a number of widely accepted tools and metrics for measuring ESG performance in the asset class that although far from perfect would appear to correspond to the broad objectives of the SFDR and are specific to real estate. As such, some of these existing real estate ESG tools would appear to provide a more appropriate basis than the current RTS for developing a framework for reporting for real estate in accordance with the SFDR.

The Investment Property Forum has recently undertaken a major exercise in evaluating ESG benchmarking tools for real estate investment, "Benchmarking Real Estate Investment Performance: The Role of ESG Factors" The report , which is enclosed, would seem to AREF to be an excellent analysis of current ESG reporting for real estate as an asset class, and would therefore be something to which the ESAs could attach considerable weight in considering a suitable framework for reporting for real estate as an asset class in the future. We understand that the IPF is also submitting a response to this consultation.

The currently available tools include:

PRI (https://www.unpri.org)

As indicated above, the PRI has a specific direct property reporting framework, most recently updated in November 2019. Annual reporting against the framework is a basic requirement of UN PRI signatories. Importantly, the framework is applicable at the entity level and therefore aligns to the requirements of the SFDR for disclosure by FMPs, rather than at the individual investment product level. The 2019 PRI framework included updates to align with the 2019 GRESB Real Estate Assessment and with the INREV Sustainability Reporting Guidelines (both of which are discussed below and are real estate specific).

The PRI direct property reporting framework has three levels of indicator:

- Mandatory indicators reflect core practices. These responses will be made public and must be completed to submit the framework.
- Some indicators are mandatory to complete, but voluntary to disclose. These indicators may determine which subsequent indicators are applicable or are used for peering, but they may also contain commercially sensitive information.
- Voluntary indicators reflect alternative or advanced practices. These indicators are voluntary to report and disclose.

The PRI disclosures for fund-raising of property funds and pre-investment (selection) appear to us to align with the broad EU objectives with respect to investment process an the consideration of sustainability adverse impacts, but tailored for the specific asset class. The PRI disclosures for selection, appointment and monitoring third-party property managers appear to us to be an additional but highly relevant set of requirements.

The PRI disclosures for post-investment (monitoring and active ownership) include three measures in respect of the proportion of the investment portfolio that meet ESG requirements. This again appears to correspond to a key element of the RTS, whilst being better tailored to direct property as an asset class:

- Indicate the proportion of property assets for which your organisation and/or property managers set and monitored ESG targets (KPIs or similar) during the reporting year.
- Indicate the proportion of active property developments and major renovations in which ESG issues have been considered.
- Indicate the proportion of property occupiers your organisation and/or your property managers engaged with on ESG issues during the reporting year.

For each of these the PRI disclosures required considerable, specified, additional detail.

The PRI reporting framework is currently subject to a major review process which is expected to conclude in 2021. This provides a timely opportunity for the ESAs to seek optimal alignment between a revised RTS for real estate (and other classes) and standards that will have widespread adoption in the market.

GRESB (https://gresb.com)

GRESB started out as the Global Real Estate Sustainability Benchmark but now also provides separate infrastructure benchmarking. The GRESB Real Estate Assessment is a global ESG benchmark and reporting framework for listed property companies, private property funds, developers and investors that invest directly in real estate. It is therefore applicable at the investment product level, albeit that data submitted to GRESB could be relatively easily aggregated by FMPs at the entity level and there are some criteria that (in non-listed contexts) draws on processes and governance arrangements at the investment manager level.

GRESB is administered by GRESB B.V., a wholly owned subsidiary of Green Business Certification Inc., a non-profit corporation incorporated in the United States under the laws of the District of Columbia. Participants (i.e. those investment products that submit to GRESB) are charged significant submission fees, and additional fees for related services provided by GRESB and its partners.

Submission to GRESB does not result in public disclosure of ESG data unless participants elect voluntarily to publish their GRESB responses, but this is not common practice.

The GRESB Rating is intended to provide an overall measure of how well ESG issues are integrated into the management and practices of companies and funds including at the asset level. The rating is based on the GRESB Real Estate Score and its quintile position relative to the GRESB universe, with annual calibration of the model. It is calculated relative to the global performance of all reporting entities, both listed and unlisted. Property type and geography are not taken into account. As a single framework applicable to all product types, GRESB also suffers from some of the limitations of the draft RTS in that it includes significant criteria that are geared more towards real estate equities, but which are also applied to the assessment of non-listed funds.

Each participant is assigned to a peer group, based on the entity's legal structure (public/private), property type and geographical location. To ensure participant anonymity, GRESB will only create a peer group if there is a minimum of six peers in the group.

Peer group assignments do not affect a company/fund's score, but determine how GRESB places an Assessment participant's results into context.

Whilst numerous features of the GRESB model make it inappropriate for use as a proxy for SFDR compliance, the asset-level data framework for performance indicators does provide a useful basis for developing a more appropriate set of metrics for inclusion in Table 1 of the RTS for real estate assets.

There is also a direct link to ESG evaluation at the asset level. The GRESB benchmarking process at the investment product level reflects certification at the individual building level. As discussed further below, there are a large number of different certifications that measure ESG performance in different ways. We have highlighted those that we think are most relevant. GRESB evaluates the various certification schemes and reflects in the overall assessment the proportion of the portfolio that is certified.

INREV

INREV is the European Association for Investors in Non-Listed Real Estate Vehicles. Its guidelines for real estate investment fund managers include its Sustainability Reporting Guidelines.

The guidelines consist of mandatory sustainability reporting requirements and best practice recommendations that, like GRESB, is largely applicable at the investment product level. . INREV's Sustainability Reporting Guidelines include references to other industry standards which are implemented in the non-listed real estate industry; GRESB, GRI, EPRA and UN PRI

Asset level certification

As outlined in our introductory comments, in a direct property fund, the investment is in physical property rather than in investee companies. There are a number of widely used certification regimes for the sustainability performance at the property level for design and operation. Although there are a variety of different certifications possible, a selection of the principal systems being set out below, the proportion of the portfolio certified (for both standing investments, and development and major renovation projects) and the quality of the certification is reflected in the GRESB benchmarking.

Sustainable/Green Building Certifications			
Scheme	**Owning Body**	**Countries**	**Description**
Building Design Certifications			
BREEAM	Building Research Establishment (BRE)	Global (particularly UK, Netherlands, Spain, Canada)	BREEAM is an international scheme that provides third party certification of the assessment of the sustainability performance of individual buildings, communities and infrastructure projects. Established in 1990 and founded on The Code for a Sustainable Built Environment, BREEAM comprises a suite of technical standards including two building standard certifications – New Construction and Refurbishment and Fit-Out. Different versions of the standards are provided for homes and commercial buildings. Buildings are assessed by an independent, qualified and licensed BREEAM assessor and certifications are awarded through national certification bodies, organisations with government approval (through national accreditation bodies) to certify products, systems and services. Typically, a pre-assessment is carried out to determine the target rating. BREEAM measures sustainable value across 10 categories, ranging from energy to management, which are weighted according to their importance. Each category is subdivided into a range of issues, each with its own targets or benchmarks. The BREEAM assessor determines whether these have been reached and awards the appropriate credits. The final performance rating is determined by the sum of the weighted category scores and range from Pass to Outstanding.
LEED	US Green Building Council (USGBC)	Global (particularly USA, Ireland, Germany)	LEED (Leadership in Energy and Environmental Design) was developed by USGBC in 2000. Aimed at architects and building contractors, it was intended to encourage the design and construction of energy-efficient, water-conserving buildings that use sustainable or green resources and materials. As with BREEAM, there are different rating systems available for use at different stages in the property cycle, including new construction, existing

			buildings, interiors, core and shell, and for different sectors including retail and healthcare. Projects are assessed against 9 categories, from water efficiency to location, and as with BREEAM, credits are awarded, weighted and then summed to achieve a final score. There are four levels of LEED rating, Certified, Silver, Gold and Platinum. Third party verification of compliance is provided by the Green Building Certification Institution.
Green Star	Green Building Council of Australia	Australia	Launched in 2003, Green Star is a voluntary sustainability rating for buildings, fit-outs and communities. It functions in the same way as BREEAM and LEED, awarding credits against a number of issues grouped into impact categories. The ratings system is based on six stars, from 1 (minimum practice) to 6 (world leadership). Four ratings tools are available – Communities (precinct-scale development), Design and As-built, Interiors and Performance (see below).
DGNB	German Sustainable Building Council (DGNB)	Germany, global	DGNB is the largest network for sustainable buildings in Europe. It originally developed its certification system in 2009 and launched the most recent version in May 2020. DGNB certification for new construction considers the entire life cycle of a building, including operational efficiency. The system can be tailored precisely to various uses of a building and to meet country or region-specific requirements. The DGNB system does not evaluate individual measures but the overall performance of a building based on criteria grouped into the following categories: environmental quality; economic quality; sociocultural and functional quality; technical quality; process quality and site quality. Four levels of certification are available, bronze, silver, gold and platinum. DGNB has certified more than 6,000 developments in 30 countries.
Operational Building Certifications			
BREEAM-in-Use (BiU)	BRE	Global	BiU is designed for existing buildings in operation. It comes in two parts, Part 1 is asset performance, which assesses the asset's physical structure, construction, fixtures, fittings and services. Part 2 is management performance, which looks at the asset's operational performance and management. Assets can be certified against both Parts of the certification, or one Part only. BiU can be applied to all types of buildings and it allows for a consistent standard and comparability between different asset classes. Originally launched in 2015, a new version of the standard (Version 6) was launched in 2020, based on data gathered by BRE over a number of years on thousands of assets globally. Certification lasts for 3 years and buildings can be re-certified via a desk-based exercise if no significant changes have occurred. The BiU categories are slightly different to the other BREEAM standards. Waste and Materials are combined into a single category (Resources), Innovation credits are available across all

			categories rather than as a separate entity and V.6 introduced both a Resilience category and a Net Zero Pathway. BiU ratings range from Acceptable (meets the minimum standard required) to Outstanding.
NABERS	New South Wales Office of Environment & Heritage	Australia, New Zealand, UK	Originally developed in 1998 with a focus on energy efficiency in buildings, NABERS has grown into a performance-based ratings system for operational buildings, separately rating energy, water, waste and indoor environment quality. The ratings are based on 12 months' real data and carried out by independent, qualified and certified assessors. Approximately 78% of Australia's office space is rated by NABERS and over the lifetime of the programme, it is estimated to have saved approximately 6 million tonnes of CO2¬. Certification lasts for 12 months. The NABERS Energy for Offices programme is currently being adapted by NABERS and the Better Buildings Partnership for trial and implementation in the UK.
Green Star - Performance			Assesses the operational performance of existing buildings across nine impact categories. The certification process works on a 3-year cycle, allowing for improvements to be recognised over time. Can be applied to a single building or portfolios – each building is given an individual rating along with an overall score for the portfolio. In 2017, the Australian government launched the National Carbon Offset Standard for Buildings, developed in collaboration with GBCA and NABERS. The standard provides a definition of a carbon neutral building and offers a certified pathway against the standard through integration in Green Star – Performance.
Energy Certifications			
Energy Star	US Environmental Protection Agency (EPA)	USA, Canada	Energy Star originated in 1992 as a joint programme between the US EPA and Department of Energy. It identifies buildings, appliances and electronics that have superior energy efficiency performance. It was adopted in the EU for labelling of office equipment in 2007; the agreement expired in 2018. It is only applied to buildings in the USA and some Canadian provinces. It can be used to track energy use, water use and/or waste and materials and according to the US EPA website, it was used in more than 260,000 commercial properties in 2019 alone. Buildings that earn the Energy Star rating use, on average, 35% less energy than their peers. It is a voluntary scheme.
Energy Performance Certificates	Energy Performance of Buildings Directive, imple-	European Union, UK	The first version of the EPBD entered into force in January 2003. Most EU Member States transposed the requirements of the Directive into legislation before 2010. The Directive requires that properties (domestic and commercial) must have an EPC when constructed, sold or let. EPCs must include the energy performance of a building,

	mented by domestic legislation		the reference values used and cost-optimal or cost-effective measures that could be implemented to improve the energy performance. Minimum energy efficiency standards have been set in most countries, preventing sale or leasing of a building below a set EPC band (typically E, but in some countries, like the Netherlands, as high as C). With climate emergency declarations and introduction of net zero carbon regulations, this minimum level is set to rise significantly in the next 5-10 years.
Health and Wellbeing Certifications			
WELL Standard	International WELL Building Institute (IWBI)	Global	Created in 2014 by the IWBI and Delos, the WELL Building Standard focuses exclusively on human health and wellbeing. It is third party certified by GBCI, who also administer LEED. Buildings can become WELL certified by achieving a defined score across seven different categories: air; water; nourishment; light; fitness; comfort and mind. The owner, or their representative, is responsible for gathering documentation, validating it and ensuring its completeness and quality. A WELL Accredited Professional, an accreditation awarded following an examination process by IWBI, can be appointed to assist the project team, but their inclusion is not mandatory. Once a project is submitted, GBCI appoints an independent reviewer to assess the evidence, including an on-site audit. Successful projects are awarded either a Silver, Gold or Platinum standard. In 2016, IWBI and BRE collaborated to align WELL with BREEAM with the aim of making it more efficient for projects to pursue both standard simultaneously.
Fitwel	Center for Active Design (CfAD)	Global	Created in 2017 as a joint pilot initiative between the Center for Disease Control (CDC) and the US General Services Administration (GSA) for optimising and design and operation of buildings to improve health and productivity. The Fitwel standard is designed to have a low cost of entry and be easy to apply. There are no pre-requisites, allowing users to select the mix of strategies that best apply to their project. The standard provides tailored scorecards for existing and new builds, covers multi-tenanted buildings and can be applied across entire portfolios. There are seven "health impact categories" with 55+ evidence-based design and operational strategies between them, each with a unique points allocation. Certification is a three-star system and is awarded by achieving the requisite number of points. There is no requirement for on-site verification. Professionals can become accredited as Fitwel Ambassadors through completion of an online training course.

<ESA_QUESTION_ESG_2>

Q3 : If you do not agree with the approach in Chapter II and Annex I, is there another way to ensure sufficiently comparable disclosure against key indicators?

<ESA_QUESTION_ESG_3>
TYPE YOUR TEXT HERE
<ESA_QUESTION_ESG_3>

Q4 : Do you have any views on the reporting template provided in Table 1 of Annex I?

<ESA_QUESTION_ESG_4>
TYPE YOUR TEXT HERE
<ESA_QUESTION_ESG_4>

Q5 : Do you agree with the indicators? Would you recommend any other indicators? Do you see merit in including forward-looking indicators such as emission reduction pathways, or scope 4 emissions (saving other companies´ GHG emissions)?

<ESA_QUESTION_ESG_5>
TYPE YOUR TEXT HERE
<ESA_QUESTION_ESG_5>

Q6 : In addition to the proposed indicators on carbon emissions in Annex I, do you see merit in also requesting a) a relative measure of carbon emissions relative to the EU 2030 climate and energy framework target and b) a relative measure of carbon emissions relative to the prevailing carbon price?

<ESA_QUESTION_ESG_6>
TYPE YOUR TEXT HERE
<ESA_QUESTION_ESG_6>

Q7 : The ESAs saw merit in requiring measurement of both (1) the share of the investments in companies without a particular issue required by the indicator and (2) the share of all companies in the investments without that issue. Do you have any feedback on this proposal?

<ESA_QUESTION_ESG_7>
TYPE YOUR TEXT HERE
<ESA_QUESTION_ESG_7>

Q8 : **Would you see merit in including more advanced indicators or metrics to allow financial market participants to capture activities by investee companies to reduce GHG emissions? If yes, how would such advanced metrics capture adverse impacts?**

<ESA_QUESTION_ESG_8>
TYPE YOUR TEXT HERE
<ESA_QUESTION_ESG_8>

Q9 : Do you agree with the goal of trying to deliver indicators for social and employee matters, respect for human rights, anti-corruption and anti-bribery matters at the same time as the environmental indicators?

<ESA_QUESTION_ESG_9>
TYPE YOUR TEXT HERE
<ESA_QUESTION_ESG_9>

Q10 : Do you agree with the proposal that financial market participants should provide a historical comparison of principal adverse impact disclosures up to ten years? If not, what timespan would you suggest?

<ESA_QUESTION_ESG_10>
TYPE YOUR TEXT HERE
<ESA_QUESTION_ESG_10>

Q11 : Are there any ways to discourage potential "window dressing" techniques in the principal adverse impact reporting? Should the ESAs consider harmonising the methodology and timing of reporting across the reference period, e.g. on what dates the composition of investments must be taken into account? If not, what alternative would you suggest to curtail window dressing techniques?

<ESA_QUESTION_ESG_11>
TYPE YOUR TEXT HERE
<ESA_QUESTION_ESG_11>

Q12 : Do you agree with the approach to have mandatory (1) pre-contractual and (2) periodic templates for financial products?

<ESA_QUESTION_ESG_12>
TYPE YOUR TEXT HERE
<ESA_QUESTION_ESG_12>

Q13 : If the ESAs develop such pre-contractual and periodic templates, what elements should the ESAs include and how should they be formatted?

<ESA_QUESTION_ESG_13>
TYPE YOUR TEXT HERE
<ESA_QUESTION_ESG_13>

Q14 : If you do not agree with harmonised reporting templates for financial products, please suggest what other approach you would propose that would ensure comparability between products.

<ESA_QUESTION_ESG_14>
TYPE YOUR TEXT HERE
<ESA_QUESTION_ESG_14>

Q15 : Do you agree with the balance of information between pre-contractual and website information requirements? Apart from the items listed under Questions 25 and 26, is there anything you would add or subtract from these proposals?

<ESA_QUESTION_ESG_15>
TYPE YOUR TEXT HERE
<ESA_QUESTION_ESG_15>

Q16 : Do you think the differences between Article 8 and Article 9 products are sufficiently well captured by the proposed provisions? If not, please suggest how the disclosures could be further distinguished.

<ESA_QUESTION_ESG_16>
TYPE YOUR TEXT HERE
<ESA_QUESTION_ESG_16>

Q17 : Do the graphical and narrative descriptions of investment proportions capture indirect investments sufficiently?

<ESA_QUESTION_ESG_17>
TYPE YOUR TEXT HERE
<ESA_QUESTION_ESG_17>

Q18 : The draft RTS require in Article 15(2) that for Article 8 products graphical representations illustrate the proportion of investments screened against the environmental or social characteristics of the financial product. However, as characteristics can widely vary from product to product do you think using the same graphical representation for very different types of products could be misleading to end-investors? If yes, how should such graphic representation be adapted?

<ESA_QUESTION_ESG_18>
TYPE YOUR TEXT HERE
<ESA_QUESTION_ESG_18>

Q19 : Do you agree with always disclosing exposure to solid fossil-fuel sectors? Are there other sectors that should be captured in such a way, such as nuclear energy?

<ESA_QUESTION_ESG_19>
TYPE YOUR TEXT HERE
<ESA_QUESTION_ESG_19>

Q20 : Do the product disclosure rules take sufficient account of the differences between products, such as multi-option products or portfolio management products?

<ESA_QUESTION_ESG_20>
TYPE YOUR TEXT HERE
<ESA_QUESTION_ESG_20>

Q21 : While Article 8 SFDR suggests investee companies should have “good governance practices”, Article 2(17) SFDR includes specific details for good governance practices for sustainable investment investee companies including “sound management structures, employee relations, remuneration of staff and tax compliance”. Should the requirements in the RTS for good governance practices for Article 8 products also capture these elements, bearing in mind Article 8 products may not be undertaking sustainable investments?

<ESA_QUESTION_ESG_21>
TYPE YOUR TEXT HERE
<ESA_QUESTION_ESG_21>

Q22 : What are your views on the preliminary proposals on “do not significantly harm” principle disclosures in line with the new empowerment under the taxonomy regulation, which can be found in Recital (33), Articles 16(2), 25, 34(3), 35(3), 38 and 45 in the draft RTS?

<ESA_QUESTION_ESG_22>
TYPE YOUR TEXT HERE
<ESA_QUESTION_ESG_22>

Q23 : Do you see merit in the ESAs defining widely used ESG investment strategies (such as best-in-class, best-in-universe, exclusions, etc.) and giving financial market participants an opportunity to disclose the use of such strategies, where relevant? If yes, how would you define such widely used strategies?

<ESA_QUESTION_ESG_23>
TYPE YOUR TEXT HERE
<ESA_QUESTION_ESG_23>

Q24 : Do you agree with the approach on the disclosure of financial products’ top investments in periodic disclosures as currently set out in Articles 39 and 46 of the draft RTS?

<ESA_QUESTION_ESG_24>
TYPE YOUR TEXT HERE
<ESA_QUESTION_ESG_24>

Q25 : For each of the following four elements, please indicate whether you believe it is better to include the item in the pre-contractual or the website disclosures for financial products? Please explain your reasoning.

a) an indication of any commitment of a minimum reduction rate of the investments (sometimes referred to as the "investable universe") considered prior to the application of the investment strategy - in the draft RTS below it is in the pre-contractual disclosure Articles 17(b) and 26(b);

b) a short description of the policy to assess good governance practices of the investee companies - in the draft RTS below it is in pre-contractual disclosure Articles 17(c) and 26(c);

c) a description of the limitations to (1) methodologies and (2) data sources and how such limitations do not affect the attainment of any environmental or social characteristics

or sustainable investment objective of the financial product - in the draft RTS below it is in the website disclosure under Article 34(1)(k) and Article 35(1)(k); and

d) **a reference to whether data sources are external or internal and in what proportions - not currently reflected in the draft RTS but could complement the pre-contractual disclosures under Article 17.**

<ESA_QUESTION_ESG_25>
TYPE YOUR TEXT HERE
<ESA_QUESTION_ESG_25>

Q26 : Is it better to include a separate section on information on how the use of derivatives meets each of the environmental or social characteristics or sustainable investment objectives promoted by the financial product, as in the below draft RTS under Article 19 and article 28, or would it be better to integrate this section with the graphical and narrative explanation of the investment proportions under Article 15(2) and 24(2)?

<ESA_QUESTION_ESG_26>
TYPE YOUR TEXT HERE
<ESA_QUESTION_ESG_26>

Q27 : Do you have any views regarding the preliminary impact assessments? Can you provide more granular examples of costs associated with the policy options?

<ESA_QUESTION_ESG_27>
TYPE YOUR TEXT HERE
<ESA_QUESTION_ESG_27>