

Comments

ESAs Survey on templates for Environmental and/or Social financial products under SFDR

Register of Interest Representatives

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The **German Banking Industry Committee** is the joint committee operated by the central associations of the German banking industry. These associations are the Bundesverband der Deutschen Volksbanken und Raiffeisenbanken (BVR), for the cooperative banks, the Bundesverband deutscher Banken (BdB), for the private commercial banks, the Bundesverband Öffentlicher Banken Deutschlands (VÖB), for the public-sector banks, the Deutscher Sparkassen- und Giroverband (DSGV), for the savings banks finance group, and the Verband deutscher Pfandbriefbanken (vdp), for the Pfandbrief banks. Collectively, they represent approximately 1,700 banks.

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Introduction

The European Supervisory Authorities (ESAs) welcome comments on this survey setting out the details of the **presentation of the information** to be disclosed pursuant to Article 8(3), Article 9(5) and Article 11(4) of the Regulation (EU) 2019/2088 of the European Parliament and of the Council of 27 November 2019 on sustainability-related disclosures in the financial services (SFDR). This information concerns pre-contractual and periodic disclosures to be included in existing disclosures provided for under EU sectoral legislation and provided by, for example, AIFMs, UCITS management companies, insurance undertakings, IORPs or PEPP providers. The ESAs propose to standardise the disclosures by requiring the use of specific templates, recognising the need for standardisation of disclosures to promote comparability of different financial products in different Member States with respect to ESG information, in line with Recital 9 of the SFDR.

The colour of the font and of the template's background, as well as type of font to be used are not prescribed in the templates. These should be adapted by the financial market participants to fit the formatting of the underlying document to which the templates are integrated (prospectus, annual report, pre-enrolment disclosure for prospective pension scheme members, etc).

The final content of the templates is subject to the outcome of concurrent consumer testing exercise and the final report of the ESAs on the draft RTS under SFDR.

Questions

Q1. How useful is the highly standardised presentation of the information in this format?

between 1 and 1 choices

- Useless
- Fairly useless
- Neither useless nor useful
- Fairly useful
- Very useful

Please explain:

The SFDR requires that disclosures of information for financial products are provided in accordance with the respective sectoral rules. These provisions are mostly detailed at a national level. It was the intention of the legislator, that the clients should receive the sectoral information, supplemented in the same format by the sustainability information. Mandatory templates could collide with this objective. The ESAs templates should be understood as examples only and non-binding. They should not be understood as legally required.

A high level of standardization is fully achieved by the detailed provisions of the RTS with regard to content, order and titles of the information. This level ensures that the client has the opportunity to compare different products.

Any further requirements should remain sufficiently abstract in order not to generate incompatibilities which would undoubtedly arise due to the huge variety of different products in the scope of the SFDR. The understanding of the client must prevail. Therefore, the scope of the templates should be reduced to a minimum.

The templates for pre-contractual and periodic information are not practical from several points of view:

First, they mix up aspects of ESG and other product characteristics. With regard to regulatory mandatory documents it comes to repetitions, e.g. with regard to funds or portfolio management. In terms of an efficient investor protection we propose to integrate the respective ESG-information into the sectoral mandatory product information.

Second, with regard to portfolio management we also see contradictions with regard to the requirements of Art. 47 para. 1 MiFID Delegated Regulation (EU) 2017/565 (MiFID DR) for retail client information. The template for periodic information will contradict with the requirements of Art. 60 and 62 MiFID DR.







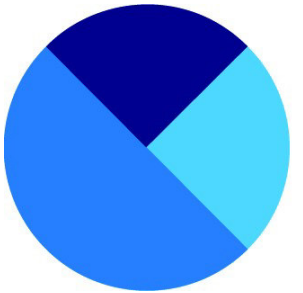

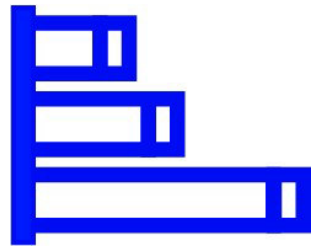
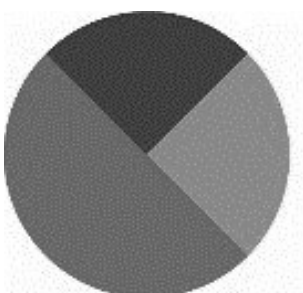
Q2. More specifically, how useful is the presentation of the information with the use of icons as visual aids (in mock-up 1 and 3)?

The pictures below show examples of the icons used in the templates.

between 1 and 1 choices

- Useless
- Fairly useless
- Neither useless nor useful
- Fairly useful
- Very useful

Examples of the icons used in mock-up 1 and 3

<p>1.jpg</p>  <p>()</p>	<p>2.jpg</p>  <p>()</p>	<p>4.jpg</p>  <p>()</p>
<p>5.jpg</p>  <p>()</p>	<p>6.jpg</p>  <p>()</p>	<p>ESG_additional_icons_hands-01.jpg</p>  <p>()</p>
<p>ESG_additional_icons_pie_chart-01.jpg</p>  <p>()</p>	<p>ESG_additional_icons_clock-01.jpg</p>  <p>()</p>	<p>ESG_additional_icons_bar_chart-01.jpg</p>  <p>()</p>
<p>3.jpg</p>  <p>()</p>		

Please explain:

The icons do not provide any further information for the clients and expand the scope of the document unnecessarily. The use of icons is not common for pre-contractual and periodic information and negatively affects the readability and seriousness of the content. The colored design of the icons increases costs. Furthermore, the icons are open to interpretation and thus contradict the principle of "fair, clear, not misleading information" (Art. 44 MiFID DR) and the respective national regulation and the respective national regulation.

In addition, the implementation leads to technical challenges for the financial market participants concerning the integration into their own layouts (corporate identity).

Q3. More specifically, how useful is the presentation of the information with the use of graphs as visual aids?

The graphs below are examples of the graphs used in the templates.

between 1 and 1 choices

- Useless
- Fairly useless
- Neither useless nor useful
- Fairly useful
- Very useful

Examples of the graphs used



Please explain:

Waiving the use of graphs would have the advantage to have shorter pre-contractual and periodic information. In addition, there is a descriptive explanation anyway.

In any case, colored design should not be mandatory. This should be left up to the financial market participants.

The graphs should be kept as simple as possible and should be self-explanatory so that the clients immediately understand the information to be conveyed.

The sectoral exposure given by the templates does not provide any informational added value for the sustainability of a product. Moreover, it leads to confusion of the clients who are already accustomed to the institution-specific sectoral breakdown for products or reports.

Q4. More specifically, how useful is the presentation of the information with the use of **explanatory notes**, in the column at the right side of the document, which are presented on a grey background?

The picture below shows an example of one of the explanatory notes used in the templates.

between 1 and 1 choices

- Useless
- Fairly useless
- Neither useless nor useful
- Fairly useful
- Very useful

The category **#1 Aligned with E/S characteristics** includes any investment that is aligned with the characteristic:

- The **Subcategory #1A** covers investments that are qualified as sustainable. A sustainable investment means an investment in an economic activity that contributes to an environmental objective, measured for example by key resource efficiency indicators such as CO2 emissions, or the use of water, or an investment that contributes to a social objective, such as tackling inequality or that fosters social cohesion.

- The **sub-category #1B Other E/S characteristics** covers investments aligned with the environmental or social characteristics that **do not** meet the criteria of 'sustainable investment'.

Please explain:

The explanations take up a lot of space and unnecessarily increase the scope of the presentation. Even the information texts should be generally understandable and meaningful. The explanations should therefore be deleted. The multi-column structure also makes it difficult to read.

Q5. Are there any presentational aspects that might make it hard to understand the

sustainability-aspects of products?

For example, with regards the distinction between the sub-categories of investments, namely between #1A and #1B?

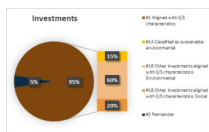
The pictures below show examples of the use of #1A and #1B sub-categories in the templates.

between 1 and 1 choices

- Yes
- No
- Other

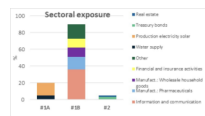
Illustrations of the distinction between sub-categories

Investments.jpg



()

sectoral.jpg



()

_1.jpg

The category #1 Aligned with E/S characteristics includes any investment that is aligned with the characteristic:

- The **Subcategory #1A** covers investments that are qualified as sustainable. A sustainable investment means an investment in an economic activity that contributes to an environmental objective, measured for example by key resource efficiency indicators such as CO2 emissions, or the use of water, or an investment that contributes to a social objective, such as tackling inequality or that fosters social cohesion.

- The **sub-category #1B Other E/S characteristics** covers investments aligned with the environmental or social characteristics that **do not** meet the criteria of 'sustainable investment'.

()

Please explain:

The questions and headings are ambiguous. However, information should be directly to the point and understandable. Too much complexity of presentation is likely to overwhelm the average retail client.

Financial market participants should not be obliged to explain the provisions of the SFDR. The pre-contractual and periodic information is also a liability document. For this reason, explanatory statements in the third column - highlighted in grey - should be waived.

Q6. Do you have any other suggestions or comments to improve the presentation of these disclosure documents?

See our answer Q1.

In addition, the templates will result in increased printing and paper costs. A reduction of the information would be useful to avoid an information overload.

Even the presentation in the form of a question and answer session is not a common form of pre-contractual and periodic information. Instead, the RTS headings should be authoritative.

Q7. When the templates are presented via **digital media, can you foresee any particular challenges? Can you suggest how these particular challenges could be overcome while retaining the core aspects of the standardised template format?**

For a client-friendly use a b/w readability is desirable. The comprehensibility of the pre-contractual and periodic information is particularly negatively influenced by the use of graphs.

A division into columns (icons, text, explanatory notes) can lead to problems when displayed on mobile devices.

Useful links

Consultation Paper Draft RTS (<https://www.esma.europa.eu/press-news/consultations/joint-esa-consultation-esg-disclosures>) (<https://www.esma.europa.eu/press-news/consultations/joint-esa-consultation-esg-disclosures>)

Background Documents

Mock-up_1_Pre-contractual_with_icons

Mock-up_2_Pre-contractual_without_icons

Mock-up_3_Periodic_with_icons

Contact

Contact Form (</eusurvey/runner/contactform/ESGtemplatesSFDR>)