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

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:

1. contain a clear rationale; and
2. 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:

Q1 Insert your responses to the questions in the Consultation Paper in the present response form.

Q2 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.

Q3 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.

Q4 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.

Q5 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**.

Q6 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	German Insurance Association GDV
Activity	Insurance and Pension
Are you representing an association?	☒
Country/Region	Germany

Introduction

Please make your introductory comments below, if any:

<ESA_COMMENT_ESG_1>
TYPE YOUR TEXT HERE
<ESA_COMMENT_ESG_1>

- **: 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>
GDV welcomes the objectives of the European Commission to make the economy more sustainable. We also acknowledge that the financial industry has an important role to play. However, it should be noted, that this process needs to be coherent with ongoing policy developments on sustainable finance in particular concerning the revision of the NFRD and the establishment of a Taxonomy for sustainable activities and current and mid-term market reality. Especially the issue of data availability cannot be ignored. In this respect, we believe that the approach taken in the draft RTS and the proposed level of standardization is premature and requires a **detail of disclosures that goes far beyond available market information**. With a view to the timelines of the disclosure of concerning principal adverse impacts it puts an **extreme and inadequate pressure on financial market participants** without delivering benefits for retail clients of financial products.

German insurers are ready to contribute to the transition to a more sustainable economy and are fully aware of their role of disclosures. However, with a view to the data lack, we would like to encourage the ESAs to adopt a more flexible approach – at least until legislation on the taxonomy, revision of the NFRD, establishment of a central data register etc.) has been finalised – and to better take into account the following aspects:

Clarity of definitions: Necessary link between the Taxonomy Regulation and the RTSs on the Disclosure Regulation:
With the aim of avoiding different and therefore sometimes contradictory data sets, we generally believe that the **link between the Taxonomy Regulation and the RTSs on the Disclosure Regulation should be clarified**. At the same time contradictions should be resolved. In this respect it should be noted that the same definitions should apply to the same facts and objectives. In our view the "do no significant harm criteria" - (DNSH) of the Taxonomy Regulation and the "principal adverse impacts" (PAI) of the Disclosure Regulation (SFDR) largely pursue the same regulatory objectives: If the facts and objectives are the same, the same definitions should therefore also apply for determining the criteria or indicators.

According to the Taxonomy Regulation, economic activities that are considered to be environmentally sustainable must not significantly harm one or more of the six environmental objectives (do no significant harm - DNSH). According to the SFDR sustainable investments pursuant to Article 2 No. 17 must also comply with the DNSH-principle. The RTS on the PAI-list 16 obligatory indicators for the categories greenhouse gas emissions, energy performance, biodiversity, water and waste, based on the environmental goals mentioned in the taxonomy as well as 16 social indicators. For example, an indicator on greenhouse gas emissions and especially on CO2 emissions, footprint and CO2 intensity is proposed, related to the emissions of the investee company. It is true that Article 25 of the RTS establishes the link between the PAI-indicators and the DNSH- concept. However, this only applies to the sustainable financial products according to Article 9 of the SFDR and not to the PAI to be considered by financial market participants with more than 500 employees or those that declare "comply" and in all financial products. Our understanding is that both the "DNSH concept" and the "PAI concept" have the same intention: Both are intended to avoid "significant adverse effects on the environmental objectives of the Taxonomy and SFDR and the social objectives under the Transparency Regulation" or "significant adverse effects on the sustainability factors of the environment, social and labour interests, respect for human rights and the fight against corruption and bribery". Because of this same objective, in order to create a uniform understanding with the customer and to ensure that the data input for this purpose is comparable, the "DNSH criteria" under Article 3 b), Article 17 of the Taxonomy and Article 2 No. 17 of the SFDR and the "PAI criteria" under Article 4 para. 1 and 6 of the SFDR should be largely congruent. In any case, where the same facts and objectives are involved under the Taxonomy Regulation for the DNSH criteria and under the SFDR for the PAI, the same approach and definitions should apply for determining the criteria and indicators. **Under no circumstances should two different data sets on these two concepts** have to be collected. Such an approach would be confusing for all parties involved (investee companies, financial market participants,

research/ rating agencies and customers) and difficult to understand or communicate. Furthermore would it be highly inefficient, costly, time-consuming and prone to error to have two different data sets.

A further aspect is that data needed for the requested indicators should also be **compatible with the Benchmark Regulation**.

Such a granular approach on indicators for the consideration of PAI would, if at all, only be possible from the point in time when the necessary data is made available by the investee companies as part of their NFRD reporting obligations and only from the point in time when these data is also entered in a central data register.

Conflicting results from taxonomy screening and PAI analysis: Apart from the above mentioned issues, we would like to take note of the following: We believe that the result of a screening of an investment under the Taxonomy - when an investment can be regarded as taxonomy-compatible - and the result of the principal adverse impact analysis of the same investment is contradictory. The **following example** will illustrate this:

An aluminium producer uses an efficient process with which it can produce aluminium with relatively low CO2 emissions. The economic activity can therefore be classified as "green" according to the taxonomy. At the same time, these CO2 emissions are nevertheless included as principle adverse impacts in the greenhouse gas emissions indicator. Although this investment is classified as "green" in the sense of the taxonomy, the CO2 emissions of this activity (aggregated at the company level) have a negative impact on the PAI, since the CO2 emissions of an aluminium producer, despite an efficient production process, are likely to be significantly higher than an investment in a company whose CO2 emissions are not significant. This means that the technology-neutral approach of the taxonomy is not reflected in the PAI-concept or is even counteracted. For example, in order to reduce the indicator of greenhouse gas emissions in the PAI concept, investors may be inclined to reduce their investments in CO2-intensive industries in general in order to present their entire portfolio more favourably in terms of PAI. This approach would be detrimental both in terms of investment activity in the economy as a whole and in terms of diversification of the portfolios of insurers or other financial market participants.

Furthermore, the proposed PAI approach seems to focus on the actions of underlying investee companies rather than the actions of the investor. In this respect, exclusions are promoted in comparison with stewardship and engagement actions which can drive the transition to a sustainable economy (eg the carbon emissions of a company will be the same regardless of whether an investor buys or sells its shares in that company, the investor's engagement with the company to decrease them is key). Adverse impact indicators based on this approach may result in a misleading negative snapshot of the investments, ignoring far more important trajectories and transition plans. For instance, some firms may be prioritising transition and impact investing in high emitting companies and using stewardship to encourage them to set meaningful and measurable pathways to net zero. Despite this being one of the most impactful approaches for a financial market participant, the RTS work as a disincentive here.

Consistency of data in NFRD and data on RTS indicators: The required data on RTS indicators and the data to be compiled under the revised NFRD should be consistent with each other. The principle of dual materiality, which applies under NFRD, and the concept of a set of mandatory indicators should not contradict each other.

Information and data: The **set of 32 indicators should not be mandatory at this stage** unless ESG data necessary to produce indicators is available in a standardized format and electronically in a way that facilitates access and minimizes cost for investors and other users of this information (our approach see answer to question 3). Apart from that with a **view to materiality this extensive set of indicators should be reduced** considerably. At present, ESG-related data and even less so on the proposed indicators for adverse impacts is not available or sufficiently reliable on the level of investee companies. Information received by investee companies is often of poor quality and information provided by ESG data providers is often inconsistent. The issue is exacerbated by the global nature of investment portfolios. It will not be possible for financial market participants to collect data on this extensive set of indicators. Whereas the ESAs acknowledge that there is a lack of ESG data, they nevertheless demand that precisely these data

be collected from financial market participants without ensuring that the required data are actually available in the market. The mere indication that the data situation will improve does not solve the problem for financial market participants, who are supposed to collect these data as early as 30 June 2021. Therefore, we encourage the ESAs to test the proposed requirements on a number of existing financial portfolios and products before finalizing its proposal.

Further we believe that such an extensive set of mandatory indicators would also not serve the objective of the SFDR, namely to create a better information basis for the customer and to avoid greenwashing.

Consumer benefit: Financial illiteracy, complexity and information overload are three well-known obstacles for good consumer disclosure. Consequently, it is very important that the ESAs take due account about the needs and limitations of consumers. We therefore encourage the ESAs to carry out consumer tests before finalizing its proposal.

Scope: In view of the very broad diversification and wide range of asset classes within an insurer's security assets, it is necessary to **clarify for which asset classes the PAI should be taken into account**. In contrast to the wording of recital 3, PAI should only be taken into account for investee companies, i.e. in our understanding for shares and corporate bonds. In view of the broad spectrum of derivatives, we believe that it is difficult to implement and questionable, or at least needs to be explained, how derivatives should be taken into account.
<ESA_QUESTION_ESG_1>

- **: 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>
In our view the approach laid out in Chapter II and Annex I **in no way takes into account** the **size, nature, and scale of financial market participants** activities. An active data collection by financial market participants does in no way take into account the required proportionality approach prescribed in Level 1. The **requirements overburden even large financial market participants**. Administrative burdens for investors need to be fully assessed to ensure feasibility and proportionality.

Insurers should – depending on their individual size, nature and scale - have sufficient flexibility in implementing and dealing with the proposed requirements in line with their specific risk profile of their activities and portfolios.
<ESA_QUESTION_ESG_2>

- **: 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>
Our approach to ensure sufficient comparable disclosure is:

1. Timing:
Until the data required to produce proposed indicators are reported by investee companies under a new NFRD and delivered to a newly created EU data register, financial market participants will hardly be in a position to collect the data efficiently, in a standardised manner and to a sufficient extent. The SFDR will apply from 10 March 2021. However, the SFDR is very likely to become applicable before the related, final Level 2 measures are even adopted, thus creating significant compliance challenges, liability and reputational risks for market players, as well as confusion for investors and customers. Furthermore, the proposed amendments to the delegated acts under IDD obliging insurers to take into account sustainability preferences of their customers will come into force probably not before the end of 2021. Disclosure of sustainability data to clients, the consideration of their sustainability preferences and the application of the Taxonomy Regulation should be aligned. **Therefore, we propose that the application date for the**

SFDR should be aligned with the application date of the Taxonomy and the changes to IDD on January 1, 2022.

Additionally, there are challenges relating to the chain of data that needs to be collated and distributed to professional investors. Moreover, the timing of the application of the RTS should consider that the ongoing NFRD review has the objective to better standardize non-financial information. The deadline from which the PAI must be disclosed by financial market participants under the SFDR should therefore be postponed until a new NFRD is applicable and a central data register has been set up. Ideally, the set-up of a central data register is aligned with the amendments of the NFRD.

2. Delivery by investee companies instead of active data collection by financial market participants:
In recital 7 the ESAs explain how they envisage the identification of principal adverse impacts by financial market participants. GDV believes that an active data collection or the purchase of data from rating agencies or research providers is not the right way of solving the problem. Not only that an active data collection seems to be impractical, it is also extremely costly, time-consuming, ineffective, prone to errors and disproportionate. Moreover, the results would not be comparable and would therefore miss the objective of the SFDR. The susceptibility to errors also entails liability risks for providers of financial products. The **ESG-data required to produce the indicators** should therefore **be reported by the investee companies** that are required to report under the NFRD in a **standardised and ready-to-use format**. In addition, this **data should be supplied by the investee companies** to a **central, publicly accessible, free of charge EU data register**. This would minimise the cost for investors and other information users, but also to eliminate the multitude of different requests of information for preparers of non-financial information. In this respect, we would like to take note that the need for standardisation and for broad coverage of ESG information is leading to strong market concentration of ESG research providers and agencies, which are developing into oligopolistic structures. Financial market participants should not be dependent on these structures.

The existence of publicly available information – especially under a centralised database - can drastically lower the cost of ESG data collection, especially for small-sized companies. GDV encourages the ESAs to liaise with the European Commission, which has already proposed such a data register in its consultation paper on the renewed sustainable finance strategy.

3. Limitation of the "best effort principle":
GDV appreciates, that ESAs recognize that there are instances when information cannot be obtained from investee companies. We believe that it is key that financial market participants are not pressured to disclose information by making “reasonable assumptions”. This kind of information may be of limited benefit to customers and could even be misleading. Therefore, we suggest to alter the "best effort principle" into a “reasonable effort principle” and to further limit it to investments outside the EU. GDV invites the ESAs to take into account the fact that the availability of ESG **data for investee companies outside the EU** will not be improved by the NFRD nor the Taxonomy regulation, which do not apply to companies based in America or Asia for example. Given the global nature of the investment universe of European insurers, the proposed RTS should allow financial market participants not to disclose PAI for investments outside the EU when ESG data is not available. **For investments within the EU, financial market participants should only have to take into account the data entered into the above mentioned EU data register by investee companies** subject to NFRD reporting. **Data collection from small and medium-sized enterprises (SMEs) should not be necessary.**

The following **example** illustrates the effects of data restraints:

Based on the proposed PAI we have identified an **absolute minimum of 36 individual data** (18 in the environmental area, 15 in the social area, 3 in the governance area and 2 additional voluntary indicators) that are necessary for insurers to fulfil the proposed **disclosure of 51 indicators (core and sub indicators)**. Given an illustrative example of around **400 direct investments** in a small to medium sized insurer’s portfolio more than **14,000 individual data** would have to be collected by the company. We are of the opinion that it is not possible for insurers with the given resources to actively collect such a huge number of data points.

Moreover, we believe that using the services from ESG data providers would increase the costs significantly without addressing the data needs appropriately. We have approached the leading ESG data providers to comment on the coverage of the proposed indicators. First of all, it is important to note that more than 20 % of an average insurer's portfolio is not covered by ESG data providers at all, e.g. certain alternative investments such as investments in infrastructure debt, real estate, mortgages and policy loans. Therefore, we are very concerned if the full set of PAI would also apply to these investments. Furthermore, according to the feedback from ESG data providers around 65 % of the individual data in the environmental area is currently not covered, 30 % of the individual data in the social area is not covered and 33 % in the governance area is not covered.

Hence, only one third of the necessary data is currently covered by ESG data providers. More than **two-thirds** of the data to be disclosed would be based on investors' reasonable assumptions, own research and the expertise of individual external experts.

This introduction of the proposed PAI indicators would result in lacking availability, reliability and comparability of relevant ESG data for customers and other stakeholders. The objective of the Transparency Regulation to eliminate information asymmetries between financial market participants and investors and thus enable investors to make informed investment decisions would be contradicted. Furthermore, it would not be feasible for investors. The aforementioned challenges underline the urgent need for a transitional period until a new NFRD is completed and the central data register is established and functioning.

4. Thresholds on a portfolio basis:
The ESAs do not provide for thresholds when considering PAI. Apart from the massive effort that a financial market participant would have to make if PAI were to be taken into account for all investments, there is also the risk that the degree of diversification within a portfolio that is prudentially required could decline as a result of this massive effort. An obligation to take PAI into account should therefore only apply above a certain investment volume in an investee company within a portfolio. Apart from that, **not all investments are likely to be relevant** with regard to adverse impacts. Therefore, the PAI disclosures should focus on the most material holdings.

5. Transitional period until a new NFRD / data register is established: Given the lack of a sufficient and reliable data basis there should be **no quantitative reporting under a mandatory format with a detailed data set until a revised NFRD and a European central data register is in place.** GDV proposes that during this transitional period, with regard to the consideration of PAIs, the draft-RTS should apply as good practices and therefore should be viewed as non-binding guidelines. Given, that quantitative indicators will not be available in many instances companies could concentrate on a **qualitative reporting** on indicators that are truly principal. We believe that these could be the following three key areas: carbon footprint (scope 1 and 2) human rights (reporting on controversies on social or employees impacts) and exposure to controversial weapons. Although, the data necessary for these key areas will not be available in this transitional period, financial market participants could take these indicators into account as **qualitative aspects within their measures to reduce PAI**. A priority on environmental indicators in this period would be justified, as these are to be developed by the ESAs within 12 months, whereas the social indicators are only to be developed within 24 months. For the same reason, the obligation to select an additional environmental and social indicator from the set of voluntary indicators should be waived completely for the transitional period. Regarding the consequences of data restraints, we also refer to our comments in point 3 above.
<ESA_QUESTION_ESG_3>

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

<ESA_QUESTION_ESG_4>
Summary: The summary section, required under Article 5 (1)(d) is a duplication of the more detailed information and is provides in our view no added value.

Description of PAI:

The assumption that a **set of 32 indicators plus additional "sub-indicators" are always principal is not justified** according to a robust risk-based approach. The need for standardization should not lead to an excessively burdensome approach for financial market participants without having counterbalancing benefits for customers. Furthermore, it is not sufficiently clear what some of the indicators are trying to capture. Some indicators may not be informative or even relevant to report at portfolio level (aggregate data), but will only reflect the size and/or composition of the investment portfolio (see also answer to question 5). Also some of the proposed social indicators seem to be biased towards value judgement. Such a detailed set of indicators could therefore be misleading for customers and prone to window dressing.

Description of actions to address PAI:
The level of detail required on tracking the effectiveness of actions taken to reduce adverse impacts is excessive and prone to window-dressing. The effectiveness of some actions can be highly subjective and disclosures should therefore be limited to robust evidence and concrete actions.

Reference to international standards:
We agree with Article 10 on disclosure of responsible business conducts and internationally recognized standards. We would like to take note, that disclosure of forward-looking climate scenarios is premature. Those are currently still under development and not always robust enough for website publication. The inclusion of forward-looking climate scenarios and indicators may significantly vary based on the choice of assumptions, portfolio coverage, methodologies (sectorial analysis based on 2°C scenario alignment, temperature of the portfolio, climate value-at-risk). There may also be legal risks for financial market participants to make such disclosures. For these reasons, it is key that the wording "where relevant" is maintained.

Comprehensibility of the information for customers:
With regard to the customer, sustainability-related information should be tailored to a level that a customer can understand and process. In view of the large amount of information that a customer has to process for a financial product, such a level of sustainability indicators is not conducive to comprehensibility.
<ESA_QUESTION_ESG_4>

- **: 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>
The concept of adverse impacts is risk based and does in our view not correspond to a sustainability assessment. See also our answer on question 1 on "Clarity of definitions: Necessary link between the Taxonomy Regulation and the RTSs on the Disclosure Regulation".

Generally, we suggest that the **ESAs elaborate on the concept of PAI** and limit proposed disclosures to **observable and verifiable facts.** Some indicators should not risk being biased or leading to value judgements, for instance "insufficient whistle blower protection", "excessive CEO pay ratio".

Some indicators are not informative or even relevant to report at an aggregate level, but will only reflect the size and/or composition of the investment portfolio, without consideration of the engagement actions of the investor. For example, while "total carbon emissions" or "number/rate of accidents, injuries, fatalities, frequency" may be informative at the level of the investee company, at the level of the investment portfolio it will – all other things being equal – mainly reflect the size of the investment portfolio (ie assets under management). A **mandatory catalogue cuts off the discretion** on the part of the financial market participant. As a result the collection of (for certain industries) irrelevant indicators not only leads to unnecessary efforts, the data obtained also has a limited or even misleading informative value. For example, not all investee companies have the need to have e.g. biodiversity and ecosystem preservation practices or a deforestation policy in place, because it is irrelevant for their business activities. Another example is the indicator for scope 3 emissions. Currently, there is no clear, objective data in the market concerning scope 3 emissions. Even investee companies can only estimate these.

As ESAs recognise, lack of data can be particularly problematic. Therefore, **indicators should not necessarily be quantitative and data-intensive but could also be qualitative**. See also our answer on question 3 “Transitional period”.

Furthermore, the number of mandatory indicators is too large and should be **reduced to an understandable level** - also in the interest of the customers. With a view to the large amount of information that a customer has to process for a financial product anyway such a large number of indicators concerning adverse sustainability impacts is not in the interest of comprehensibility. With regard to the issue of sustainability, in the case of a **conventional financial product**, data on the investments underlying the financial product has to be disclosed to the client in order to take account of

1. sustainability risks,
2. adverse sustainability impacts

in the case of **financial products offered as sustainable**, data has to be disclosed to the customer to take account of

1. sustainability risks,
2. adverse sustainability impacts

and

3. to achieve certain sustainability goals / sustainability criteria and
4. on taxonomy compatibility and DNSH criteria

The customer must distinguish and understand all these different dimensions of sustainability data. Moreover, the question arises as to how the multitude of listed indicators could be presented in a two-page document that is easy to understand.
<ESA_QUESTION_ESG_5>

- **: 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>
As noted above, producing and disclosing proposed indicators is challenging if not impossible without revised non-financial reporting standards in place. See also our answer on question 1 “Clarity of definitions” and 3 “Disclosure by investee companies”.
<ESA_QUESTION_ESG_6>

- **: 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>
Most of the suggested indicators have to be reported on (1) the share of the investments and (2) the share of all companies in the investments. The industry notes that the second category is not meaningful and increase the information, already complex and numerous, provided to customers. Therefore, the industry suggests that reporting each indicator only based on the first category (based on the value of the investments and not on the number of companies).

Furthermore, when calculating the share of investments, it must be clear what this indicator is aiming at measuring. Insurers usually have a very diversified investment portfolio including all sorts of assets (government bonds, unlisted equity, bonds, loans, infrastructure, etc). This makes the calculations less straightforward compared to an equity portfolio of listed companies.

Having said that, non-financial reporting standards are essential to be able to precisely measure such share of investments, especially considering the different types of investment instruments used in financial markets. We believe that a finalised taxonomy and available ESG data at the level of investee companies would be necessary for a consistent and robust assessment.
<ESA_QUESTION_ESG_7>

- : **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>
GDV believes that a finalised taxonomy and available consistent ESG data at the level of investee companies would be necessary for a consistent and robust assessment of activities by investee companies to reduce GHG emissions. Regulatory requirements related to such classification should therefore remain voluntary until all aspects of the taxonomy are sufficiently developed, especially those related on enabling and transitional activities. This will ensure that financial market participants deliver a realistic picture and avoid penalizing unfairly some economic activities. See further our answer on question 1 “Clarity of definitions”.
<ESA_QUESTION_ESG_8>

- **: 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>
German insurers look at sustainability in a holistic sense, considering all environmental, social and governance (ESG) factors contributing to sustainable investments. However, we would like to take note that there are challenges for investors to have access to reliable information sources (for example, a company will tend not to report on human rights violations in case of breaches).However, the E aspects in current EU policies are far more advanced. For this reason, we suggest that the adverse impacts for social consideration (with the exception of those suggested in question 3 on human rights and exposure to controversial weapon)s as defined in Table 1 remain voluntary:
- for a transitional period, eg until necessary data is available under non-financial reporting standards.
<ESA_QUESTION_ESG_9>

- **: 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>
GDV considers a historical comparison over a period up to ten years as too long. A considerably shorter period would be favourable with a view to data stability and would be less burdensome for financial market participants.
<ESA_QUESTION_ESG_10>

- **: 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>
The actual **risk of window-dressing** is if disclosed data on indicators is not based on observable and verifiable facts. Therefore it is essential that proposed indicators and the common understanding of PAI is consistent with disclosed data in non-financial reporting and with the DNSH-concept of the Taxonomy. See also our answer on question 1 "Clarity of definitions".

GDV does not believe that more granular requirements and harmonization of methodologies will be a solution for these issues. As already mentioned above, financial market participants should retain sufficient flexibility in implementing the Regulation. We would like to also take note that the evaluation of actions taken to reduce PAI is also to a great extent subjective.
ESAs should address the above mentioned issues within the consultation of the revision of the NFRD. As already noted in question 3 it is essential to make sure that the data needed for the indicators is disclosed in a standardized and ready to use format by the investee companies that fall under the NFRD. The data that should be reported on the indicators by investee companies should be based on observable and verifiable facts. Data concerning the indicators should be reported under a revised NFRD in the same way as it will be requested in the RTS.

Timing of reporting: In the public hearing of the ESAs on the 2nd of July ESMA set out the view of the ESAs that not only reporting as of a reporting date (eg 31 of December) would be required, but that assets should also be reported that were held at a certain point in time or period during the whole reference period**. We regard this approach not only as excessively burdensome with a view to the even larger data volume of investments in question. More importantly we would like to point out the following**:

Insurers must act in the best interests of their customers. The prudent person principle (ppp) contained in article 132 of the Solvency II regulation is the regulatory benchmark for insurers. Within the ppp the investment principles of security, profitability, liquidity and quality apply and additionally assets held to cover the technical provisions shall also be invested in a manner appropriate to the nature and duration of the insurance and reinsurance liabilities. Furthermore, insurers are required to provide for a liquidity, duration and asset-liability management appropriate to their liabilities as part of their risk management. As a liability-driven long term investor, they are obliged to provide for a strategic asset allocation. **All these regulatory requirements prohibit insurers already now from engaging in window dressing.** Further, we would like to take note, that the draft delegated acts on the integration of sustainability risks in Solvency II explicitly oblige insurers to take into account sustainability risks within the ppp and their risk management, and also to consider the long-term impact of their investment decisions on sustainability factors (stewardship approach). However, we would also point out that for liquidity management insurers generally not only hold cash, but in many cases also (short term) bonds. Taking all these investments (eg held for liquidity reasons) into account with a view to consideration of PAI would not be meaningful, not serve consumer benefit and would be excessively burdensome. Furthermore, in case of exclusions various controls ensure that such investments also fulfill existing ESG-requirements.

Therefore we believe that it is most important to focus for PAI consideration on those assets that are held as per a specific date, end of the year, rather than during the whole reference period.

Concerning the **dates of the composition of investments** it must be taken into account that if investee companies report the required data on indicators in one year by 30th June this data can only be taken into account by an investor one year later. Therefore we propose to have staggered implementation / disclosure periods for investors compared with investee companies.
<ESA_QUESTION_ESG_11>

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

<ESA_QUESTION_ESG_12>
Mandatory templates should not be introduced for the information in question. The ESA should issue a statement to this effect as soon as possible in order to allow market participants to proceed with the implementation of the rules instead of waiting for further requirements.

The SFDR requires that disclosures of information for insurance products are provided in accordance with the respective sectoral rules (for insurance-based investment products Article 185(2) of the Solvency II Directive and Article 29(1) of IDD). These provisions are mostly detailed – or in the case of pension products stipulated exclusively – at a national level. It was the intention of the legislator, that the customer should receive the sectoral information, supplemented in the same format by the sustainability information. Mandatory templates would collide with this objective.

While the need for a minimum level of standardisation is clear, this is fully achieved by the detailed provisions of the RTS with regard to content, order and titles of the information. Further standardisation by way of specific templates is not required. It should be taken into account that any further requirements would have to be compatible to the vast variety of different products encompassed by the SFDR, including multi-option products. Should the ESA wish to develop templates, these should, therefore, be optional.

We would furthermore like to point to the timeline stipulated on level 1 which is already extremely ambitious. It does not seem possible for mandatory templates to be developed, consulted and finalized while still leaving an adequate implementation period for the market participants. The technical implementation of strict format requirements is generally a particular challenge for the companies. A postponement of the obligations on level 1 would in this case be inevitable. Under no circumstances should it be contemplated to introduce obligatory templates after the information requirements of the SFDR become mandatory. Market participants should not have to implement the obligations twice on the basis of different provisions.

We would also like to add that while we understand that recent events have slowed the development of the RTS, this should not curtail the time available to the market participants to implement the rules. The implementation period stipulated in the SFDR is already very short. Market participants need time to comply with the rules once they are finalized. Any delay in the process should, therefore, be accompanied by a corresponding deferral of the date of implementation.
<ESA_QUESTION_ESG_12>

- **: 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>
As stated above, mandatory templates should not be introduced for SFDR disclosures. 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.
<ESA_QUESTION_ESG_13>

- **: 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>
T The provisions of the RTS on the order and the titles of the information ensure its recognisability across the sectors. Optional guidance on best practice for making these disclosures within the various existing disclosure regimes could then be provided to assist companies in making these disclosures in the most effective way, while still allowing the format to be adapted to reflect the specific nature of the product and any applicable national rules.
<ESA_QUESTION_ESG_14>

- **: 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>
T We appreciate the effort to keep the pre-contractual information as short and concise as this is possible against the background of the level 1 text. It is an undisputed fact that the provision of too much information makes it less likely that the customer will take note of the information at all. The ESA may wish to consider consumer testing of the information in order to ensure that the level of detail is not counterproductive. Please note that the purchaser of a life insurance product already receives a multitude of documents based on information requirements in other legislation. Therefore, while excessively detailed information should generally be avoided, the pre-contractual information is particularly vulnerable to information overload. Where complex information cannot be avoided, it is generally more accessible on a website, where technical features (such as layers and menus) make it easier to navigate.

In order to avoid duplication of information, a single disclosure requirement should be created where possible, containing only the information that is absolutely necessary. Information which is not necessary with regard to the provisions on level 1 should remain optional. This includes the requirement to prepare a summary of the disclosures provided by Article 10 SFDR.

The requirement to use the language of the home Member State of the financial market participant and a 'language customary in the sphere of international finance' should be replaced. In addition to being unclear it is also at odds with existing EU legislation and national rules which require customer information to be provided in the language in which the product is marketed (see e. g. Article 185 (6) Solvency II, Article 23 (1) (c) IDD). Existing rules on the language in which product information is provided should be relied upon instead.

In order to reduce the administrative burden with regard to products which incorporate external funds (unit-linked products), we would appreciate a clarification that information requirements on the website can be complied with by providing a link to the relevant information on the website of the fund provider.
<ESA_QUESTION_ESG_15>

- **: 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>
GDV is of the opinion, that the distinction between "sustainable investment products" and "products that promote environmental or social characteristics" is still not completely clear. More guidance on Level 2 is needed on the practical implementation of the provisions. This concerns especially products which combine multiple investment options to be chosen by the investor with an investment in the insurer's collective fund (as is the case with unit-linked products which offer a guaranteed maturity value or with unit-linked pension products which include the payment of annuities after maturity). These products constitute a sizeable part of the German market of insurance-based investment products and pension products. Clarification is needed that the Articles 22, 32 and 52 of the RTS can be applied also to them. Please see our response to question 20 for further background and our suggestions on this point.

With regard to the narrative explanations required by Article 15 (2) (b) (iii) and Article 24 (2) (b) (iii) on the planned proportion of investments in different sectors and sub-sectors, we would appreciate the inclusion of minimum thresholds for relevant investments in order to avoid excessive complexity of the information.

The warning message required by Article 16 (1) and Article 34 (3) is, in our view, misleading and should be removed. It is highly unlikely that the average investor will know the legal meaning of "sustainable investment" as defined by Article 2 (17) SFDR. Neither will he be aware of the exact differentiation between Article 8 and 9 SFDR, which is, so far, unclear even to most experts. As a result, the investor may understand the warning as contradictory to the environmental or social characteristics promoted by the product. There is also no need for the warning. The investor receives accurate information on the precise sustainability related characteristics of the product in accordance with the provisions of the RTS.
<ESA_QUESTION_ESG_16>

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

<ESA_QUESTION_ESG_17>
The RTS are not sufficiently clear with respect to the graphical representation and to the narrative. The insurance sector does not understand the rationale for the requirement to distinguish between direct and indirect holdings, and wonders what the added value would be for customers.

Bearing in mind the broad spectrum of derivatives, we believe that it is difficult to give a comprehensible graphical and narrative description of investment proportions including indirect investments. At least further guidance would be needed on how indirect investments should be considered.

The industry also questions what the sectorial criteria would be to classify investments in companies involved in different sectors (see also response to question 18). Additionally, how should instruments, such as government bonds be classified?
<ESA_QUESTION_ESG_17>

- **: 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>
German insurers observe that the same graphical representation for very different types of products will end up misleading end-investors, as it does not consider the constraints and the allocation of different products types. Experience shows that graphic representations are particularly vulnerable to be misinterpreted by consumers as they imply a level of comparability which they often cannot provide. There is also a tendency of consumers to overlook footnotes which explain about the limited informative value of the presentation. In particular cases, graphic representations may be helpful to the understanding of the relevant data. Whether or not this is the case should, however, be decided by the provider of the product based on the characteristics of the particular product in question.

Furthermore, the presentation of the same information in a graphical way and as a narrative leads to duplications which should be avoided in the interest of the investor.
<ESA_QUESTION_ESG_18>

- **: 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>
GDV suggests that sectorial disclosures are developed in line with the taxonomy regulation and based on the classification at activity level as provided by investee companies. Guidance on more detailed disclosures should be investigated at a later stage, in the context of the empowerment under Article 25 of the draft taxonomy regulation.
<ESA_QUESTION_ESG_19>

- **: 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>

GDV welcomes the effort by the ESAs to make the sustainability disclosures manageable for products with different investment options while ensuring a maximum of transparency for the investor. In this respect we appreciate that only the sustainability-related options have to comply with Article 22 and Article 52 of the RTS.

Questions remain, however, with regard to unit-linked insurance products as mentioned in our answer to question 16. These are products where part of the investment is allocated to a fund chosen by the policyholder and another part to the insurer's collective pool (in order to ensure a guaranteed maturity value). The same applies to unit-linked products where the investment in the funds chosen by the policyholder is limited to a part of the product's lifespan (typically the savings phase whereas the capital is transferred to the collective pool for the payment of annuities during the retirement of the policyholder). It is very important that the insurers are able to rely on Article 22, Article 32 and Article 52 of the RTS also with regard to the fund component of these products in order to avoid the burden of having to develop and maintain sustainability information for all conceivable combinations of funds and collective pool. In our view there are two possibilities to provide legal certainty on this point:

- Clarification could be included (e. g. in Recital 34) that the collective pool constitutes an investment option in accordance with Articles 22, 32 and 52.

- Alternatively a further point (c) could be added to Articles 22, 32 and 52 specifying that if the investment options cover only part of the total investment in the product or part of the product's lifespan, adequate information on the remaining part should be provided. This information might include:

    - a short, narrative description as to which extent or in which phase the investment will not be allocated in the funds chosen by the policyholder (Note: comprehensive pre-contractual information on the structure and operation of the product is already now provided on the basis of existing rules. While this information should not be duplicated, an additional indication to this effect may be helpful in the context of the sustainability information.) and
    - where applicable, the information required by Article 8, Article 9 or Article 11 of the Regulation with regard to the remainder of the investment (collective pool).

In this regard, it shall be clarified whether sovereign bonds and municipal bonds, whose asset categories make up the largest component of the insurers‘ collective pool in Germany, are within the scope of the Transparency Directive and in particularly with regard to Article 8 and 9. Due to the fact that the objective of the Directive is rather to provide transparency with regard to sustainability risks and consideration of adverse sustainability impacts from investments made into companies and certain business sectors, it is entirely unclear whether investments in sovereign bonds and municipal bonds shall be included in Article 8 and 9 as well. If so, the RTS may specify the potential data to be provided for such bonds.

Furthermore, the requirement to provide pre-contractual sustainability information for all investment options within the meaning of Articles 8 and 9 SFDR which are offered by a product (Article 22 (b) and 32 (b) of the RTS) is, in our view, not practical and not in line with the objective of clear, simple and concise information. Many unit-linked products offer a wide variety of funds. A choice of 200 different funds or more is not unusual. A strict interpretation of Articles 22 (b) and 32 (b) would mean that the customer is provided with hundreds of pages of information, the vast majority of which does not apply to him. We also point to the fact that the IDD (referred to by Article 6 (3) (b) SFDR) prescribes the provision of information on paper as default. We would therefore suggest clarifying in Articles 22 and 32 of the RTS that a reference to the sustainability information on the individual funds is sufficient (e. g. the provision of the internet address where the information can be found). If the customer has – as is generally the case – already expressed a preference for one or several funds at the time of the pre-contractual information, the sustainability information on these specific funds should, however, be provided. The insurers would, naturally, also provide contact details where further information on paper can be requested.

In the case of Article 52 of the RTS, we understand the restriction to "selected investment options" to mean that the periodic information only needs be provided for those funds in which the customer's assets are invested at the time of the respective report.
<ESA_QUESTION_ESG_20>

- **: 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>
It does not, in our view, appear possible to have two different interpretations of the term of good governance practices within one and the same Regulation. As a consequence, the specifications provided in Article 2 (17) on this point are – indirectly – also relevant with regard to Article 8. It is, therefore, important not to stipulate any further details on the content of good governance practices on level 2 in order not to raise the entry threshold of Article 8 any further.

It is, however, our understanding that the requirement of good governance practice only relates to those particular investments which constitute the sustainable characteristics of the respective Article 8 product. Otherwise the provisions for Article 8 products would be more severe than those for Article 9 products with regard to which Article 2 (17) makes clear that the good governance requirement applies only to the sustainable investments of the product.
<ESA_QUESTION_ESG_21>

- **: 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>
On one hand, the "do not significantly harm" principle of the taxonomy appears to be narrower and related to thresholds about the sustainability assessment of economic activities. On the other hand, the adverse impact appears to be a risk-based concept related to how investment affect sustainability factors. But we share the view of the ESAs that there is a strong link between these both concepts. Therefore, due to this link and the parallel intentions of both concepts, GDV advocates for an alignment, wherever this is possible.

Nevertheless, the industry believes that the current drafting should clarify these concepts and provide, if an alignment is not possible, guidance on the specific and detailed differences between principal adverse impact and the concept of "do not significantly harm".

Finally, the sector agrees with the wording in Recital 33: "financial market participants should be transparent with regard to the criteria used, including any potential thresholds set, in order to assess that the investments qualifying as sustainable do not significantly harm environmental nor social objectives.
<ESA_QUESTION_ESG_22>

- **: 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>
GDV does not believe that there would be added value in defining such strategies further, as they can already be defined in pre-contractual information under investment strategies, where additional information can be referenced.

<ESA_QUESTION_ESG_23>

- **: 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>
German insurers believe that the chosen approach is excessively burdensome, without providing adequate value for customers. The ESAs should also elaborate how to disclose information about sector and location with respect to financial instruments such as equity, bonds, covered bonds, derivatives, etc. Furthermore, clarification on top investments is needed (what is the criteria for the differentiation: asset classes, regions, structure of the investment, etc.). We would further like to take note that reporting on top investments might not be possible due to confidentiality agreements.
<ESA_QUESTION_ESG_24>

- **: 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.**

1. **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);**
2. **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);**
3. **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**
4. **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>
Excessive information requirements should be avoided. It should be borne in mind that there are insurance undertakings holding several hundred thousand investments. Necessary information should – where this is possible with regard to the provisions on level 1 – be provided on the website. Complex information is usually more easily accessible for the user if provided on a website than if it is part of an extensive patchwork of different product information provided on paper or on another durable medium.
<ESA_QUESTION_ESG_25>

- **: 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>
The insurance industry does not see the added value on a separate section on derivatives. Regarding the numerous information to disclose, a focus on derivatives is not necessary and seems excessive and complex for end-investors. The industry also highlights that a separate section would be superfluous as,

with regard to the insurance sector, the usage of derivatives is already covered under the prudent person principle (article 132 (4) of the Solvency II Directive dictates that the use of derivative instruments shall be possible only insofar as they contribute to a reduction of risks or facilitate efficient portfolio management). Should the ESAs have to choose an approach, then it would be better to disclose their usage within the narrative explanation under article 15(2) and 24(2).

Apart from that, a distinction should be made according to the use of derivatives:
1. Derivatives used for short-term efficient portfolio management: There should be no reporting obligation here because no long-term investment decision has been made.
2. Reporting when using derivatives to replicate sustainable objectives in a product, e.g. synthetic replication of an index with Paris aligned benchmark.

Should the ESAs require a deeper level of disclosure than what is already disclosed in the financial market participant's investment and risk policy, then clear guidance is required for harmonisation and for preventing window-dressing.
<ESA_QUESTION_ESG_26>

- **: 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>
GDV is of the opinion, that the implementation costs of such a sophisticated disclosure system are much higher than estimated in the preliminary impact assessment. References to potential implementation costs date from 2018 and therefore could not take into account the requirements of this draft RTS and the numerous indicators. This holds true for market participants, financial advisers and insurance distributors.

The impact assessments produced by the ESAs do not give due consideration to the range of different financial market participants and financial advisers to which these requirements will apply.

Insurance advisors are often small enterprises consisting of a few employees. Analyzing the comprehensive disclosures under the SFDR will entail significant costs and efforts that go well beyond the level of expertise of some smaller enterprises. In addition, the cost benefit analysis envisages small IT costs for making changes to facilitate website disclosures. For small intermediaries this will not be the case.

We also note that many of the costs related to compliance with SFDR are fixed and unrelated to the size of the financial market participant or adviser. This necessarily means that the relative compliance cost for smaller undertakings will be higher.
<ESA_QUESTION_ESG_27>