

Response form for the Joint Consultation Paper concerning ESG disclosures





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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.



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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) 2018/1725¹. 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	CFA Institute
Activity	Other Financial service providers
Are you representing an association?	<input checked="" type="checkbox"/>
Country/Region	Europe

Introduction

Please make your introductory comments below, if any:

<ESA_COMMENT_ESG_1>

CFA Institute welcomes the opportunity to provide comments to the ESAs draft RTS on ESG disclosures under the Regulation on sustainability-related disclosures in the financial sector (SFDR).

CFA Institute is the global association of investment professionals that sets the standards for professional excellence. We are a champion for ethical behaviour in investment markets and a respected source of knowledge in the global financial community. Our mission is to lead the investment profession globally by promoting the highest standards of ethics, education, and professional excellence for the ultimate

benefit of society. There are more than 178,000 CFA charterholders worldwide in 162 markets. CFA Institute has nine offices worldwide and there are 159 local member societies.

The promotion of increased investor protection is one of our key objectives and is at the core of our efforts. Today, many investors demand for greater transparency on the ESG characteristics of a financial product or its contribution to the achievement of a sustainable objective. Hence, disclosure of ESG information is considered as a key business value for most organisations. However, in our engagements with financial professionals and investors around the world, we found that the current ESG disclosure practices are not standardised enough. This limits the quality, comparability and consistency of such data. In order to develop greater sustainability practices in the financial sector, we believe that a global standard is necessary to make sure that ESG data is comparable and audited. CFA Institute has been working on the development of a voluntary ESG disclosure standard for investment products, and we have recently launched a public consultation seeking feedback on the proposed scope, structure, and design of this ESG standard. Further details of our work on the matter and the consultation, which closes on 19 October 2020, can be found at <https://www.cfainstitute.org/en/ethics-standards/codes/esg-standards> . CFA Institute would be pleased if the ESAs can provide their comments that may have by responding to our public consultation. We also stand ready to further discuss this initiative with the ESAs.

We appreciate the approach that the ESAs have taken with the preparation of the template illustrated in Chapter II and Annex I. The template provides a fair description of the factors that lead to adverse impact of the investment decisions made by financial market participants on sustainability factors. The indicators that the ESAs included in the table are appropriate at the current time. However, as disclosures and investor needs evolve over time, these indicators should be reassessed and reviewed periodically in order to understand whether they are still adequate and if they meet investor demand.

Finally, we would like to highlight the lack of clarity in some of the requirements provided under the SFDR, and the poor consistency between some definitions under the SFDR and the EU Taxonomy. We believe that the two regulations should have more aligned definitions and objectives



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as the current requirements may lead to some confusion on what is a product with environmental and social characteristics. In addition, the ESAs could include more references to the Taxonomy requirements in the measures proposed in the template in Annex I. The inclusion of a specific indicator measuring the proportion of alignment that a financial product has with the EU Taxonomy could help investors facilitate the comparison between products, and provide more clarity on whether a product has characteristics that are consistent with the EU environmental objectives.

<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>

Yes, we agree with this approach. However, we believe that the EU also should have further discussions on what percentage of the data in question has been audited and how can be assured. The data that firms will be using to calculate the numbers in this table are often not disclosed or disclosed and not audited. There should be some discussion about the reliability, timeliness and comparability of the underlying data as well. Our societies agree on the methodology that has been proposed. Some members from CFA Society Italy believe that since companies are not required yet to provide the necessary data to comply with the indicators, it would be reasonable to ask investors to publish the coverage percentage of assets to allow a fair comparison.

<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>

Yes, the approach has a sufficient consideration of the size, nature and scale of financial market participants and the type of products. We believe that this approach is a good start as these efforts of disclosure are some of the first of their kind. We do not expect data transparency and the quality of the underlying data to be perfect at this stage. However, we think that more financial firms could be covered in the future as disclosure improves and financial firms learn best how to disclose this information.

<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>

Standards that are already gaining acceptance by the financial community such as TCFD and SASB could form a good baseline for issuer disclosure that could feed into the disclosures expected from financial firms. With regard to the Regulation, some members from CFA Society Italy also argue that it would be reasonable to include the requirement of publishing the assets in scope.

<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>

We believe that the reporting template is adequate for the present moment. We expect that these disclosures will evolve in future years to best capture the information most useful/material to financial firms and their clients.

Some members from CFA Society Italy suggest that a forward-looking indicator like “share of investments that have set a Science based Target” could be meaningful and applicable. The temperature scoring methodology developed by the Science Based Initiative could, for example, represent a more meaningful forward-looking metric.

<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>

In the same vein as our response to Q4, the indicators presented in the proposed approach would work well and are sufficient at the present time. Nevertheless, metrics should evolve over time so that they can best reflect the changing landscape. We also suggest that negative emissions (carbon capture and sequestration) could be in the future added as to encourage firms to invest in negative emissions technology. However, to avoid double counting, some safeguards would have to be put in place.

<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>

Yes, we argue that these measures could be useful and informational to investors in the EU. The calculation of these indicators could be based on the carbon emissions that would be provided in the principal adverse impacts statement. Therefore, financial market participants and advisers would not see the disclosure of these additional indicators as particularly burdensome.

<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>

Yes, we believe that these measures would be useful to investors. However, some members from CFA Society Italy stressed that the first indicator would be more meaningful than the second one as investments strategies could significantly affect the measure of the share of all companies in the investments with that issue.

We hope that the ESAs find in the future a balance between disclosure that are essential, and those that are desirable but too burdensome for firms to track and less useful to clients. The longer the list of disclosures required, the less likely clients will read them.

After the current system of disclosure is in place for several years, the ESAs should determine in coordination with firms affected and their clients, which disclosures should be moved from mandatory to voluntary and vice versa.

<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>

In general, more advanced indicators or metrics would be helpful to market participants to capture activities that contribute to the reduction of GHG emissions. However, CFA Institute considers that

the current indicators are sufficient at the moment. As underlined in our response to Q7, the ESAs should periodically identify which measures are essential and those that are not. We believe that this exercise should be reviewed at least annually as some metrics that are not available now, or are not seen as being essential now, will become available or be seen as essential in the future.
<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>

Yes, we agree. Metrics capturing social and employee matters, respect for human rights, anti-corruption and anti-bribery matters are increasingly gaining importance in the investment management sector. Investors are demanding more of these indicators. The ESAs should work with investors to determine which metrics are most demanded by investors, and focus on making such disclosures part of the standard. Members of our European societies agree on the inclusion of the above indicators together with environmental metrics. In particular, some members from CFA Society France highlighted that it would be crucial to keep social and environmental indicators together to make sure that no arbitrage takes place unwillingly of one against the other. Since environment is likely to be a major cause of future social disruption, this can be viewed as a long-term social indicator.

<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>

The introduction of this requirement may be problematic currently, as what is defined as having an adverse impact changes over time. If we wish to look back ten years from the time of this writing (which would be 2010) then we would be placing today's views of what is an adverse impact on the past, where there may not have been such a concern or even definition of adverse impact. We believe that in order to make such a historical comparison, there must be a sound and agreed upon definition of what is an adverse impact, which is possible to track this going forward.

<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>

The very nature of this disclosure lends itself to window dressing, as firms are being asked to report on an area that may be unflattering to them. They are being asked to report on how much they invest in things that may be detrimental to society. Firms will therefore do their best to make such reporting look as good as it can. Given that, it would be preferable for the ESAs to harmonise the methodology of such reporting as much as possible. The ESAs have done an admirable job

in doing so in this first iteration of the standard. However, such disclosures may have to be revisited and altered in the future if they do not lead to what they are intended (such as greenwashing/window dressing).

Some members from CFA Society Italy would prefer having indicators based on median value of holdings in each company throughout the year. This approach would allow for simple computation as once the median is computed it is a single portfolio calculation.

Some members from CFA Society France remarked that the best way to limit window dressing is to have all calculations time weighted and annualised. This method would make sure that the investment sold the day before reporting date will still be taken into account for the period in which it was held. To facilitate comparability, calculations can be done between two reporting periods and annualised. Controls for risk measures that managers need to comply with any time can also be set similarly.

<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>

Yes, we agree with the approach. Under this system, both prospective clients and current clients will be informed concerning the data that they wish to have to make investing decisions. We believe that a yearly update for the information in the periodic template would make sense. Firms could, of course, provide more than mandatory disclosures if they wish.

<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>

We understand that the ESAs have delayed the drafting of these templates until there is greater certainty regarding what should be disclosed. It would be wise that ESAs envisage launching a separate process to develop these templates after the end of this consultation period. We encourage the ESAs to involve investor groups in this effort to best understand the information that they most desire to make informed investment decisions.

Some members from CFA Society Italy stressed that these templates should have some reference to the EU taxonomy in order to have convergence in the terminology that has been used.

<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>

Please see our response to Q13.

<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>

Yes, we believe that the balance of information is adequate. We encourage the ESAs to consider this process ongoing and to keep open communications with investors in order to update the balance between these disclosures in case any changes are needed or desired by investors.

<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>

We believe that the language differentiating between Article 8 and Article 9 products could be explained in a clearer manner. The use of plain language to explain the differences and even a table/chart to explain them could make these differences clearer.

Article 9 is clear in that it refers to “a financial product that has sustainable investment as its objective.” However, there are still points that are confusing. First, Article 9 makes it seem that a financial product can only have one objective, when in practice, a financial product can have many. Another point of confusion is the definition of a sustainable investment in Article 2 (17). There are many ways an investment could contribute to an environmental or social objective, and the definition gives some helpful examples of measures. However, we believe that leaving the definition as broad as it currently is would allow financial market participants to argue that virtually any economic activity is a sustainable investment. Tying this definition to the economic activities in the taxonomy would provide much needed clarity.

Article 8 is not clear because there is no definition of “environmental or social characteristics,” either in Article 8 or in Article 2. It seems to be a catch-all term, but that is not helpful to financial market participants, who are required to comply with the regulation. There needs to be more clarity as to what qualifies as environmental or social characteristics.

Some members from CFA Society Italy added that the provision of examples with ESG characteristics and sustainable investment objectives could be helpful in avoiding confusion.

<ESA_QUESTION_ESG_16>

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

<ESA_QUESTION_ESG_17>

The graphical and narrative descriptions of investment proportions do a good job of capturing indirect investments. However, in order for this information to be useful, a firm needs to inform the reader of the policies and procedures that lead them to categorising an investment as sustainable investments and, where relevant, the subdivision of those sustainable investments between environmental or social objectives. Moreover, we believe that in order to do an accurate graphical breakdown of “sustainable” vs “non sustainable” investments, market participants should calculate the weighted average over the reporting period. The breakdown of environmental vs social characteristics does not seem to provide much value as investors demand more granularity.

<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>

We think that such graphical representations can be problematic and cause confusion. We would like to see simplified information that would enhance understanding (but this should not be too oversimplified as it may mislead investors). Currently, firms use screening in different ways and for different outcomes, while some do very little to no screening at all, but still have robust ESG integration processes. Because firms do not use screens in the same way, a graphic representation would not give a meaningful comparison. Graphical representations should be used when the things being measured are well defined and in an item-set that is easily comparable. That is not often the case with methods of screening at investment firms. We believe firms should disclose the processes that they have for integrating ESG into the investment process, but the graphic proposed may not be the best way to convey this information.

Some member from CFA Society Italy underlined that it would be reasonable to indicate the percentage of alignment that a product has with the EU taxonomy, rather than illustrating the proportion of ESG characteristics that a product has. Indicating how much a financial product is aligned with the taxonomy would help make a fair comparison between products.

<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>

We believe that this information is already disclosed in the data on scope 1,2 and 3 emissions. If so, the ESAs need to determine if additional disclosures about this information are useful to investors. It would be informative to disclose both things (scope 1,2 and 3 emissions and exposure to solid fossil-fuel sectors) as having both pieces of information will give clients and prospective clients a fuller picture of a firm's investment process and policies.

Some members from CFA Society Italy suggest that controversial weapons and tobacco could be other sectors to be covered, while some of our French members would prefer to see more consideration of the life cycle and the use of fossil energy. However, as technologies evolve and things can change, the concept of a measure of non-renewable greenhouse gas emissions (in CO₂ equivalent), such as fossil fuels, would be more practical for market participants.

<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>

Yes, we think that the proposed disclosure rules do take sufficient account of the difference between products, such as multi-option products or portfolio management products. However, it is unclear if products composed of other products have been taken into account – e.g. a fund-of-funds products. A product that is made of multiple underlying products may have difficulty aggregating the adverse indicators from the underlying products for a reporting period. If the reporting period is the same for all financial market participants, then the product that invests in underlying products will not have access to the data that it needs to create its report. If the reporting cycles are not aligned, the product will have a similar problem.

<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>

Since investors expect sound corporate governance from every company, the requirements in the RTS for good governance practices for Article 8 products also should capture these elements.

<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>

We believe that the preliminary proposals on "do not significantly harm" are sound. We agree with the ESAs, that the Commission should consider studying the feasibility of clarifying the relation between the concepts of "do not significantly harm" and principal adverse impact in the future.

<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>

No, the Commission should not define these strategies because different firms will define similar strategies differently. What is important is that firms disclose the process and policies behind how they define such strategies. Also, other organisations, including CFA Institute, have already conducted work on defining such strategies. It therefore makes little sense for the ESAs to try to reinvent the wheel.

Please see our recently published "Consultation Paper on the development of the CFA Institute ESG Disclosure Standards for Investment Products," which can be found at <https://www.cfainstitute.org/en/ethics-standards/codes/esg-standards> . CFA Institute would be pleased to discuss this effort with the ESAs.

<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>

Yes, the proposed approach on the disclosure of financial products top investments in periodic disclosures seems reasonable.

<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>

a) Pre-contractual – We believe that this is information that prospective clients will want to know when evaluating and investment product. Including it in the disclosures on a website in addition to pre-contractual materials would be a plus.

b) Pre-contractual - Similarly to a), prospective clients are looking for this information in the pre-contractual disclosures that firms provide when offering financial products. The inclusion of a short description of the policy to assess good governance practice that can also be provided in the website disclosures of the investee company would be helpful as well, but it is essential that such disclosure is included in the pre-contractual documents.

c) Pre-contractual – Similarly to a) and b), such description should be disclosed firstly in the pre-contractual documents.

d) Pre-contractual – For the same reasons as above.

<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>

The inclusion of a separate section informing on how the use of derivatives meets the environmental or social characteristics or the sustainable investment objectives promoted by the financial product would be the best way to clearly disclose this information to investors.

<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>

No, we do not have specific views on the preliminary impact assessments. We suggest that the ESAs conduct a specific consultation on the matter.



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Some members from CFA Society Italy highlighted that the majority of the required data are gathered via external data providers as firms do not have much information. Hence, firms are expected to incur significant implementation costs for the production of preliminary impact assessments.
<ESA_QUESTION_ESG_27>