

January 2021

# DUFAS Position Paper ESG Disclosures

Summary



DUFAS welcomes and supports the notion on increased ESG disclosures on sustainability factors and integration of sustainability risks in the investment process.



Dutch asset managers in general have already for years now published their policy on sustainable risks and factors on their websites. We do see merit in more standardization in disclosures in order to create more comparability throughout the market and needless to say to avoid greenwashing, the main purpose of the EU legislation.

#### Principal adverse impact indicators (PAI)

In order to achieve more standardization and comparability DUFAS sees merit in disclosing a number of relevant principal adverse impact indicators. However we do think that disclosing indicators on principal adverse impact on an entity level for asset managers is less relevant or not relevant at all given the nature of asset managers. Only a few indicators may be relevant to disclose on an entity level, such as e.g. the greenhouse gas emissions indicators. We urge the legislator to create more flexibility of indicators and more principle based approach where it concerns principal adverse impact on entity level, whilst templates on product level could and should be limited to a small set of really relevant indicators.

In determining principal adverse indicators, we believe that those PAI indicators should be considered for disclosures where they are relevant, useful, material, and for which sufficient reliable data is readily be available. As a starting point for disclosures, we propose to start with 11 mandatory PAI indicators set forth in our table out of the 32+2 indicators as proposed by the European Supervisory Authorities (EBA, ESMA and EIOPA). These may be supplemented by other optional indicators which an asset manager may find appropriate. Possibly with a phase in model, as some indicators may be relevant, but for which not data is available yet.

		Adverse sustainability indicator	Availability of data
<b>CLIMATE AND OTHER ENVIRONMENT-RELATED INDICATORS</b>			
GHG emissions	1	carbon emissions - scope 1,2,3	Good, except for scop 3; mainly listed equity
	2	carbon footprint	Good, except for scop 3; mainly listed equity
	3	weighted average carbon intensity	Good, except for scop 3; mainly listed equity
	4	solid fossil fuel exposure	Good, except for scop 3; mainly listed equity
energy	5	total energy consumption from non-renewable sources in GWh	Medium
	6	energy consumption intensity (GWh per EURm revenue)	Medium
water	7	water emissions	Good
<b>SOCIAL AND EMPLOYEE, RESPECT FOR HUMAN RIGHTS, ANTI-CORRUPTION AND ANTI-BRIBERY MATTERS</b>			
Social and employee matters	8	implementation of fundamental ILO conventions	Good
	9	board gender diversity	Good
Human rights	10	number and nature of identified cases of severe human rights issues and incidents	Good
	11	exposure to controversial weapons	Already (partially) dealt with in Dutch regulatio i.e. prohibited

# Product classification & mapping under SFDR



### Product classification art. 6, art. 8 and art. 9

In general we believe that differences between art. 8 and art. 9 products in the SFDR are not always sufficiently well captured by the proposed provisions. Key element of an art. 8 SFDR product is the promotion of financial products with ESG characteristics. We are of the opinion that not each reference to environmental or social characteristics in a mandatory investor disclosure of a financial product should be considered to be 'promotion' within the meaning of article 8 SFDR. In that respect 'promotion' is defined in a too broad a manner. This should be up to the discretion of the financial market participant. However, any marketing communication of a financial product where reference is made to environmental or social characteristics, or a combination thereof should always be considered to be 'promotion' within the context of article 8 SFDR. Promotion and marketing communications should then be interpreted and defined consistent with other existing EU financial legislation, such as e.g. MiFID. The key element of a marketing communication is whether the information invites or induces the reader to buy the financial product. In any event clarity about the term 'promotion' is needed in order for an asset manager to assess whether a product falls within the remit of art.8 or not.

---

## Questions or suggestions?

A lot is happening in the field of sustainability. We are constantly adapting our positions accordingly, where necessary. For questions or suggestions, or our latest opinions on sustainability, please feel welcome to contact Randy Pattiselanno, DUFAS manager strategy & regulatory affairs, at [rp@dufas.nl](mailto:rp@dufas.nl).