

MEMO# 32934

November 20, 2020

EU ESG: ESMA Consultation on Taxonomy Reporting for NFRD Entities (Including Asset Managers)

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November 20, 2020 TO: ESG Task Force
EU ESG Disclosure Regulation Working Group
ICI Global Regulated Funds Committee RE: EU ESG: ESMA Consultation on Taxonomy Reporting for NFRD Entities (Including Asset Managers)

The European Securities and Markets Authority (ESMA) recently launched a consultation^[1] with draft advice to the European Commission on how entities within scope of the Non-Financial Reporting Directive (NFRD) will report against the EU Taxonomy (as per Article 8 of the Taxonomy Regulation).^[2] The consultation paper includes a section (p. 68-77) on how asset managers that report under the NFRD should disclose how their activities are directed at funding environmentally sustainable economic activities, including the attached proposed reporting template. ESMA makes the point that very few asset managers fall under the current scope of the NFRD but that this might change if the NFRD's scope is expanded in the upcoming NFRD review (expected January 2021).

The deadline to respond is Friday, 4 December 2020. Given the very short timeline, we are planning to submit brief responses to a few questions that are most relevant for fund managers. Attached are the questions that we think may be most relevant, but we will need feedback from you on whether you have any views. We will aim to circulate draft responses early next week to provide enough time for review in light of the upcoming Thanksgiving holiday (for those of you in the US).

Background. The Taxonomy Regulation defines what is an environmentally sustainable economic activity, but it also requires certain issuer disclosures. Taxonomy Regulation Article 8 requires NFRD entities to disclose the degree to which their economic activities are aligned with the Taxonomy. Article 8(2) requires non-financial undertakings subject to the NFRD to provide disclosure of three key performance indicators (KPIs): turnover, capital expenditure ('CapEx') and operating expenditure ('OpEx') related to environmentally sustainable activities. The Taxonomy Regulation does not specify any KPIs for financial undertakings subject to the disclosure requirements for non-financial information in the Accounting Directive.

Commission's call for advice. The Commission has asked the three European Supervisory Authorities (ESAs) to provide advice on disclosure metrics and methodology around how and to what extent the activities of entities within scope of the NFRD qualify as environmentally sustainable under the Taxonomy Regulation. ESMA was asked to provide advice on how to further specify the three KPIs already established for non-financial undertakings in Article 8(2) of the Taxonomy Regulation and also advice on KPIs for asset managers in the scope of the NFRD; the European Banking Authority (EBA) was asked to provide advice on KPIs for banks and investment firms; and the European Insurance and Occupational Pensions Authority (EIOPA) was asked to provide advice on KPIs for (re)insurance companies.

Consultation response. Attached are questions that we think may merit a short response. Please let us know if you have any thoughts on these questions or if there are any additional questions to which you think we should respond. The complete list of questions is on p. 85 of the consultation paper.

Next steps. ESMA, together with the EBA and EIOPA, will deliver their advice to the Commission by 28 February 2021. The Commission then will adopt the delegated act on NFRD entity reporting against the Taxonomy by 1 June 2021.

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[Attachment](#)

endnotes

[1] The consultation is *available at* https://www.esma.europa.eu/sites/default/files/library/esma30-379-325_consultation_paper_-_draft_advice_to_ec_under_article_8_of_the_taxonomy_regulation.pdf.

[2] See Regulation (EU) 2020/852 of the European Parliament and of the Council of 18 June 2020 on the establishment of a framework to facilitate sustainable investment, and amending Regulation (EU) 2019/2088 (Taxonomy Regulation), *available at* <https://eur-lex.europa.eu/legal-content/EN/TXT/HTML/?uri=CELEX:32020R0852&from=EN>.

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