JOINT COMMITTEE OF THE EUROPEAN SUPERVISORY AUTHORITIES

Reply form

on the Joint Consultation Paper on the review of SFDR Delegated Regulation regarding PAI and financial product disclosures

12 April 2023
ESMA34-45-1218

Responding to this paper

The ESAs invite comments on all matters in the Joint Consultation Paper and in particular on the specific questions in this reply form. Comments are most helpful if they:

- respond to the question stated;
- indicate the specific question to which the comment relates;
- contain a clear rationale; and
- describe any alternatives the ESAs should consider.

ESMA will consider all comments received by **4 July 2023.**

Instructions

In order to facilitate analysis of responses to the Joint Consultation Paper, respondents are requested to follow the below steps when preparing and submitting their response:

- Insert your responses to the questions in the Joint Consultation Paper in this reply form.
- Please do not remove tags of the type <ESMA_QUESTION_SFDR_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 responses, save the reply form according to the following convention: ESMA_CP SFDR Review_nameofrespondent.

  For example, for a respondent named ABCD, the reply form would be saved with the following name: ESMA_CP SFDR Review_ABCD.
- Upload the Word reply form containing your responses to ESMA’s website (**pdf documents will not be considered except for annexes**). All contributions should be submitted online at www.esma.europa.eu under the heading ‘Your input - Consultations’.

Publication of responses

All contributions received will be published following the close of the consultation, unless you request otherwise. Please clearly and prominently indicate in your submission any part you do not wish to be publicly disclosed. 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 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 ESMA's 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	Leadenhall Capital Partners
Activity	Investment Services
Are you representing an association?	☐
Country/Region	UK

Questions

Q1 : Do you agree with the newly proposed mandatory social indicators in Annex I, Table I (amount of accumulated earnings in non-cooperative tax jurisdictions for undertakings whose turnover exceeds € 750 million, exposure to companies involved in the cultivation and production of tobacco, interference with the formation of trade unions or election worker representatives, share of employees earning less than the adequate wage)?

<ESMA_QUESTION_SFDR_1>

No. The newly proposed social indicators represent the equity, fixed income and real estate asset classes but they do not represent the Insurance Linked Strategies (ILS) alternative asset class. As at 31 March 2023 global reinsurance capital totalled $605bn of which $100bn relates to ILS investments (as detailed in Aon's Reinsurance Market Dynamics, June and July 2023). Many of the world's ILS managers are based in Europe and most ILS managers market into the EU. We therefore recommend that ILS managers do not have to comply with the newly proposed mandatory social indicators. Instead they should be able to provide opt-in to social indicators as detailed in our answer to question 4.

<ESMA_QUESTION_SFDR_1>

Q2 : Would you recommend any other mandatory social indicator or adjust any of the ones proposed?

<ESMA_QUESTION_SFDR_2>

We recommend the opt-in social indicators listed in our answer to question 4. We do not recommend making these mandatory as they will likley not map to the equity, fixed income and real estate asset classes, just as the currently proposed indicators do not map to the Insurance Linked Stretegies asset class.

<ESMA_QUESTION_SFDR_2>

Q3 : Do you agree with the newly proposed opt-in social indicators in Annex I, Table III (excessive use of non-guaranteed-hour employees in investee companies, excessive use of temporary contract employees in investee companies, excessive use of non-employee workers in investee companies, insufficient employment of persons with disabilities in the workforce, lack of grievance/complaints handling mechanism for stakeholders materially affected by the operations of investee companies, lack of grievance/complaints handling mechanism for consumers/ end-users of the investee companies)?

<ESMA_QUESTION_SFDR_3>

No. The newly proposed social indicators represent the equity, fixed income and real estate asset classes but they do not represent the Insurance Linked Strategies (ILS) asset class. We therefore recommend that ILS managers do not have to comply with the newly proposed mandatory social indicators. Instead they should be able to provide opt-in social indicators detailed in our answer to question 4.

<ESMA_QUESTION_SFDR_3>

Q4 : Would you recommend any other social indicator or adjust any of the ones proposed?

<ESMA_QUESTION_SFDR_4>

The following indicators are examples of those that are relevant to the Insurance Linked Strateges asset class. We recommend that they are adopted as opt-in social indicators so that Insurance Linked Strategies can apply PAIs:

- The proportion of Invested Assets as at the time each investment is made covering meteorological risks to ensure the protection of societies and businesses including against adverse risks related to climate.

- The proportion of Invested Assets as at the time each investment is made to natural catastrophe risks for residential and small commercial business to ensure their overall protection to adverse financial risks.

- The proportion of Invested Assets to insurance linked or reinsurance linked risks

- The proportion of Invested Assets as at the time each investment is made to marine transportation of fossil fuels or mining extraction of coal.

- The proportion of Invested Assets as at the time each investment is made allocated to the life, annuity and/or health protection insurance sectors.

- The proportion of Invested Assets providing on-balance sheet capital to insurance companies by book value of assets relating to petroleum and gas companies.

- The proportion of Invested Assets providing on-balance sheet capital to insurance companies by book asset values relating to mining extraction of coal.

<ESMA_QUESTION_SFDR_4>

Q5 : Do you agree with the changes proposed to the existing mandatory and opt-in social indicators in Annex I, Table I and III (i.e. replacing the UN Global Compact Principles with the UN Guiding Principles and ILO Declaration on Fundamental Principles and Rights at Work)? Do you have any additional suggestions for changes to other indicators not considered by the ESAs?

<ESMA_QUESTION_SFDR_5>

No comment

<ESMA_QUESTION_SFDR_5>

Q6 : For real estate assets, do you consider relevant to apply any PAI indicator related to social matters to the entity in charge of the management of the real estate assets the FMP invested in?

<ESMA_QUESTION_SFDR_6>

As an Insurance Linked Strategies manager we consider real estate in the context of the financial protection and social resilience that is provided to real estate. We don not consider it relevant to apply any PAI indicator to ILS. The potential social indicators listed in our answer to question 4 apply to Insurance Linked Strategies. We therefore recommend that these opt-in social indicators are included.

<ESMA_QUESTION_SFDR_6>

Q7 : For real estate assets, do you see any merit in adjusting the definition of PAI indicator 22 of Table 1 in order to align it with the EU Taxonomy criteria applicable to the DNSH of the climate change mitigation objective under the climate change adaptation objective?

<ESMA_QUESTION_SFDR_7>

Insurance Linked Strategies and their investors provide financial protection to real estate assets. These investors invest globally and like many asset classes the US is the largest market. Metrics such as Energy Performance Certificate ratings and whether a building is in the highest 30% of operational Primary Energy Demand (PED) are not available in the US and globally. This data is also not currently passed between insurers, reinsurers ans ILS managers. Our view is that there is limited benefit to adjusting the definition of PAI indicator 22 of Table 1 with regards to ILS.

<ESMA_QUESTION_SFDR_7>

Q8 : Do you see any challenges in the interaction between the definition 'enterprise value' and 'current value of investment' for the calculation of the PAI indicators?

<ESMA_QUESTION_SFDR_8>

Enterprise value has little meaning in Insurance Linked Strategies asset class. Collateral held in money market funds commonly backs ILS. Therefore amending the definition to include the market value of cash, cash equivalent and money market funds, as well as potentially Treasury bills would be helpful for the ILS asset class. Also further clarity as to how carbon emissions can be attributed from a country's government emissions into Treasury bill holdings and other money market instrument holdings is required.

<ESMA_QUESTION_SFDR_8>

Q9 : Do you have any comments or proposed adjustments to the new formulae suggested in Annex I?

<ESMA_QUESTION_SFDR_9>

The market value of cash, cash equivalents and money market funds should be included in the calculation of carbon emissions for investments such as Insurance Linked Strategeis that use these assets as collateral.

Formula 22 which calculates the 'exposure to fossil fuels through real estate assets' should include the value of insurance-linked transactions covering the marine transportation of fossil fuels or mining extraction of coal.

So that Insurance Linked Strategies can also adopt opt-in social indicators formulae should be introduced for:

- The proportion of Invested Assets as at the time each investment is made covering meteorological risks to ensure the protection of societies and businesses including against adverse risks related to climate.

- The proportion of Invested Assets as at the time each investment is made to natural catastrophe risks for residential and small commercial business to ensure their overall protection to adverse financial risks.

- The proportion of Invested Assets to insurance linked or reinsurance linked risks

- The proportion of Invested Assets as at the time each investment is made to marine transportation of fossil fuels or mining extraction of coal.

- The proportion of Invested Assets as at the time each investment is made allocated to the life, annuity and/or health protection insurance sectors.

- The proportion of Invested Assets providing on-balance sheet capital to insurance companies by book asset values relating to petroleum and gas companies.

- The proportion of Invested Assets providing on-balance sheet capital to insurance companies which exceed by book asset values relating to mining extraction of coal.

<ESMA_QUESTION_SFDR_9>

Q10 : Do you have any comments on the further clarifications or technical changes to the current list of indicators? Did you encounter any issues in the calculation of the adverse impact for any of the other existing indicators in Annex I?

<ESMA_QUESTION_SFDR_10>

No comment

<ESMA_QUESTION_SFDR_10>

Q11 : Do you agree with the proposal to require the disclosure of the share of information for the PAI indicators for which the financial market participant relies on information directly from investee companies?

<ESMA_QUESTION_SFDR_11>

No. ‘Investee companies’ is not a term that maps to the Insurance Linked Strategies asset class. Expanding this definition to include sponsors and reinsurers would help include ILS.

<ESMA_QUESTION_SFDR_11>

Q12 : What is your view on the approach taken in this consultation paper to define 'all investments'? What are the advantages and drawbacks you identify? Would a change in the approach adopted for the treatment of 'all investments' be necessary in your view?

<ESMA_QUESTION_SFDR_12>

The methodology outlined in the consultation does not map to Insurance Linked Strategies and so does not include 'all investments'. In the case of ILS (re)insurers move risks off balance-sheet and securitise them. Consequently as enterprise value only captures on-balance sheet capital values attributions of PAIs by on-balance sheet metrics does not capture ILS, or attrtibutes zero PAIs to them under this methodology.

We therefore recommend that for ILS, and other assets that use cash or money market fund collateral, they can attribute PAI statistics using money market fund valuations and pro-rating sovereign statistics such as carbon emissions (as in the sovereign bond GHG accounting rules).

<ESMA_QUESTION_SFDR_12>

Q13 : Do you agree with the ESAs' proposal to only require the inclusion of information on investee companies' value chains in the PAI calculations where the investee company reports them? If not, what would you propose as an alternative?

<ESMA_QUESTION_SFDR_13>

The concept of 'investee company' is not relevant to Insurance Linked Strategies. We therefore recommend that ILS managers can refer to money market fund collateral that backs positions, or that ILS managers can calculate opt-in metrics such as those in our answer to question 4 which are sourced from the (re)insurers and sponsors who have ceded risks.

<ESMA_QUESTION_SFDR_13>

Q14 : Do you agree with the proposed treatment of derivatives in the PAI indicators or would you suggest any other method?

<ESMA_QUESTION_SFDR_14>

We agree with the concept that numerators should be zero where a position does not result in the purchase of a physical security. In the case of Insurance Linked Strategies PAIs should relate to the financial protection and social resilience provided to society, or otherwise refer to the underlying money market fund collateral (or be zero depending on whether the PAI is relevant to the ILS asset class).

<ESMA_QUESTION_SFDR_14>

Q15 : What are your views with regard to the treatment of derivatives in general (Taxonomy-alignment, share of sustainable investments and PAI calculations)? Should the netting provision of Article 17(1)(g) be applied to sustainable investment calculations?

<ESMA_QUESTION_SFDR_15>

No comment as shorting and netting of Insurance Linked Strategy risk exposures is not a significant part of our investment process.

<ESMA_QUESTION_SFDR_15>

Q16 : Do you see the need to extend the scope of the provisions of point g of paragraph 1 of Article 17 of the SFDR Delegated Regulation to asset classes other than equity and sovereign exposures?

<ESMA_QUESTION_SFDR_16>

The scope of paragraph 1 of Article 17 needs to be extended to include Insurance Linked Strategies and the social resilience and financial protection that the asset class provides to society. This forms the basis of the opt-in social indicators defined in our answer to question 4.

<ESMA_QUESTION_SFDR_16>

Q17 : Do you agree with the ESAs' assessment of the DNSH framework under SFDR?

<ESMA_QUESTION_SFDR_17>

We agree that the current DNSH framework allows discretion in its application. However our view is that this is a strength as each asset class can interpret the framework in a way that is relevant to them. Aiming to make the DNSH framwork more consistent across traditional asset classes has the disadvantage that alternative asset classes, such as Insurance Linked Strategies, may not be able to adhere to it. Our preference is therefore to leave the status quo in place with regards to this issue.

<ESMA_QUESTION_SFDR_17>

Q18 : With regard to the DNSH disclosures in the SFDR Delegated Regulation, do you consider it relevant to make disclosures about the quantitative

thresholds FMPs use to take into account the PAI indicators for DNSH purposes mandatory? Please explain your reasoning.

<ESMA_QUESTION_SFDR_18>

It seems reasonable to publish quantitative thresholds relating to PAIs to evidence the sustainability of products. However alternative asset classes such as Insurance Linked Strategeis should be able to use PAIs that are relevant to them such as those recommended in our answer to question 4 relating ILS.

<ESMA_QUESTION_SFDR_18>

Q19 : Do you support the introduction of an optional "safe harbour" for environmental DNSH for taxonomy-aligned activities? Please explain your reasoning.

<ESMA_QUESTION_SFDR_19>

We believe that Insurance Linked Strategies should be recognised as an optional safe harbour for social DNSH because their over-arching purpose is to provide resilience to societies including resilience from meteorological and climate events.

<ESMA_QUESTION_SFDR_19>

Q20 : Do you agree with the longer term view of the ESAs that if two parallel concepts of sustainability are retained that the Taxonomy TSCs should form the basis of DNSH assessments? Please explain your reasoning.

<ESMA_QUESTION_SFDR_20>

If Insurance Linked Strategies are recognised in future versions of the Taxonomy Screening Criteria as sustainable investments contributing to social objectives we believe that the TSCs could form the basis of DNSH assessments. However currently there is a lack of conderation of the ILS asset class by SFDR which needs to change to recognise the social benefit and resilience that it provides to society.

<ESMA_QUESTION_SFDR_20>

Q21 : Are there other options for the SFDR Delegated Regulation DNSH disclosures to reduce the risk of greenwashing and increase comparability?

<ESMA_QUESTION_SFDR_21>

Comparability is difficult for alternative assets such as Insurance Linked Strategies which have different characteristics compared to traditional equity and bond assets. Insurance Linked Strategies have similarities with the real estate asset class due to the protection and social resilience provided to residential and commercial real estate. However the current and suggested PAIs do not cover the value of the resilience that ILS provides. We therefoiore recommend in our answer to question 4 opt-in social indicators that cover this and make the ILS asset class more comparable with real estate.

<ESMA_QUESTION_SFDR_21>

Q22 : Do you agree that the proposed disclosures strike the right balance between the need for clear, reliable, decision-useful information for investors and the need to keep requirements feasible and proportional for FMPs? Please explain your answers.

<ESMA_QUESTION_SFDR_22>

No. There is no defined methodology for accounting for the carbon emissions for Insurance Linked Strategies as defined by PCAF or otherwise. Consequently the proposed disclosures are not clear or decision-useful for this alternative asset class. We propose that the ILS asset class is able to decline the use of PAIs relating to carbon emissions until such a time that rules are agreed defining financed emission for ILS or for the money market fund collateral that underlies it.

<ESMA_QUESTION_SFDR_22>

Q23 : Do you agree with the proposed approach of providing a hyperlink to the benchmark disclosures for products having GHG emissions reduction as their investment objective under Article 9(3) SFDR or would you prefer specific disclosures for such financial products? Do you believe the introduction of GHG emissions reduction target disclosures could lead to confusion between Article 9(3) and other Article 9 and 8 financial products? Please explain your answer.

<ESMA_QUESTION_SFDR_23>

No, because no carbon emissions accounting methodology exists for the Insurance Linked Strategies asset class and theor benchmarks. In the absence of this methodology the ILS asset class could report metrics such as the proportion of investments in the marine transportation of fossil fuels or mining extraction of coal, or the proportion of investments providing on-balance sheet capital to companies by book value of assets relating to petroleum and gas companies or the mining extraction of coal.

<ESMA_QUESTION_SFDR_23>

Q24 : The ESAs have introduced a distinction between a product-level commitment to achieve a reduction in financed emissions (through a strategy that possibly relies only on divestments and reallocations) and a commitment to achieve a reduction in investees' emissions (through investment in companies that has adopted and duly executes a convincing transition plan or through active ownership). Do you find this distinction useful for investors and actionable for FMPs? Please explain your answer.

<ESMA_QUESTION_SFDR_24>

No. These definitions aren't sufficiently wide to currently capture Insurance Linked Strategies. The ILS asset class transfers and securitises (re)insurance risks off-balance sheet, in so doing breaking the link with on-balance sheet capital, the main way by which carbon emissions are attributed for corporate securities (such as under PCAF's GHG accounting rules).

<ESMA_QUESTION_SFDR_24>

Q25 : Do you find it useful to have a disclosure on the degree of Paris-Alignment of the Article 9 product's target(s)? Do you think that existing methodologies can provide sufficiently robust assessments of that aspect? If yes, please specify which methodology (or methodologies) would be relevant for that purpose and what are their most critical features? Please explain your answer.

<ESMA_QUESTION_SFDR_25>

No. The Insurance Linked Strategies asset class provides significant social benefits to society by providing resilience to communities from catastrophic events including meteorological and climate events. No carbon accounting methodology exists for ILS. Consequently it should be sufficient to evidence the Article 9 alignment of ILS products by referencing social targets as opposed to carbon emission-based targets.

<ESMA_QUESTION_SFDR_25>

Q26 : Do you agree with the proposed approach to require that the target is calculated for all investments of the financial product? Please explain your answer.

<ESMA_QUESTION_SFDR_26>

No. No carbon emissions accounting rules exist for the alternative asset class Insurance Linked Strategies. Consequently for metrics and targets to be useful they should only be calculated and set for asset classes where it is calculable in practice. As no rules exist for ILS the target cannot be calculated for all investments for products that hold ILS.

<ESMA_QUESTION_SFDR_26>

Q27 : Do you agree with the proposed approach to require that, at product level, Financed GHG emissions reduction targets be set and disclosed based on the GHG accounting and reporting standard to be referenced in the forthcoming Delegated Act (DA) of the CSRD? Should the Global GHG Accounting and Reporting Standard for the Financial Industry developed by PCAF be required as the only standard to be used for the disclosures, or should any other standard be considered? Please justify your answer and provide the name of alternative standards you would suggest, if any.

<ESMA_QUESTION_SFDR_27>

No. PCAF's GHG accounting standards do not cover Insurance Linked Strategies. This should be developed before it is required to be reported on by the ILS asset class. A potential alternative standard may be to extend the existing government and corporate bond GHG accounting standard to cover money market funds and instruments such as Treasury bills which is held as the collateral underlying ILS.

<ESMA_QUESTION_SFDR_27>

Q28 : Do you agree with the approach taken to removals and the use of carbon credits and the alignment the ESAs have sought to achieve with the EFRAG Draft ESRS E1? Please explain your answer.

<ESMA_QUESTION_SFDR_28>

This methodology sounds sensible for corporate securities. However it isn't relevant for Insurance Linked Securities. In the ILS asset class (re)insurers transfer and securitise risks off -balance sheet breaking the link from corporate (and financed) emissons under carbon accounting rules. Conequently discussion of corporate emissions and their carbon credits isn't directly relevant to the ILS asset class.

<ESMA_QUESTION_SFDR_28>

Q29 : Do you find it useful to ask for disclosures regarding the consistency between the product targets and the financial market participants entity-level targets and transition plan for climate change mitigation? What could be the benefits of and challenges to making such disclosures available? Please explain you answer.

<ESMA_QUESTION_SFDR_29>

No. GHG accounting rules do not exist for the Insurance Linked Strategies asset class and consequently it often isn't helpful asking for these disclosures.

<ESMA_QUESTION_SFDR_29>

Q30 : What are your views on the inclusion of a dashboard at the top of Annexes II-V of the SFDR Delegated Regulation as summary of the key information to complement the more detailed information in the pre-contractual and periodic disclosures? Does it serve the purpose of helping consumers and less experienced retail investors understand the essential information in a simpler and more visual way?

<ESMA_QUESTION_SFDR_30>

Our preference is to keep the current tree in the asset allocation section of the template, rather than the new dashboard being proposed in the consultation. In the new dasboard investments which have "other social characteristics" such as Insurance Linked Strategies are not given a light green colouring. Our view is that they should be able to do so, and shouldn't be prevented from this due to regulations not suffciently recognising social indicators. If the new template is to be used we therefore propose that ILS can use the PAIs set out in our answer to question 4 which covers social characteristics that should be recongnised as being associated with the ILS asset class.

<ESMA_QUESTION_SFDR_30>

Q31 : Do you agree that the current version of the templates capture all the information needed for retail investors to understand the characteristics of the products? Do you have views on how to further simplify the language in the dashboard, or other sections of the templates, to make it more understandable to retail investors?

<ESMA_QUESTION_SFDR_31>

The main purpose of the document is to show how products have met their environmental and / or social characteristics which the document does. However if alternative asset products such as Insurance Linked Strategies have to show that they have met other sustainability characteristics rather be classified as sustainable investments they should still be coloured green in the new dashboard in the pre-contractual disclosures and periodic reports. They should not be penalised for SFDR only considering PAIs that only account for equity, fixed income and real estate assets. Consequently our strong preference is that PAIs are defined as in our answer to question 4 so that ILS can be more fully recognised as a sustainable investment.

<ESMA_QUESTION_SFDR_31>

Q32 : Do you have any suggestion on how to further simplify or enhance the legibility of the current templates?

<ESMA_QUESTION_SFDR_32>

The templates for the pre-contractual disclosures and periodic reports should allow alternative asset classes such as Insurance Linked Strategies to have PAIs that are relevant to their strategy, such as in our answer the question 4. This would better reflect the sustainability of these types of investments and consequently improve the legibility of the disclosures by showing their green-coloured sustainability characteristics in the new dashboards.

<ESMA_QUESTION_SFDR_32>

Q33 : Is the investment tree in the asset allocation section necessary if the dashboard shows the proportion of sustainable and taxonomy-aligned investments?

<ESMA_QUESTION_SFDR_33>

The investment tree is helpful for alternative assets with “other E/S characteristics” because it shows them coloured light green. These types of asset classes like Insurance Linked Strategeis lose this coluring in the newly proposed dashboard. Our view is therefore that the investment tree should still be shown.

<ESMA_QUESTION_SFDR_33>

Q34 : Do you agree with this approach of ensuring consistency in the use of colours in Annex II to V in the templates?

<ESMA_QUESTION_SFDR_34>

Yes, although alternative assets such as Insurance Linked Strategies with “other E/S characteristics” should still be able to show this allocation in light green for consistency with disclosures for 2022.

<ESMA_QUESTION_SFDR_34>

Q35 : Do you agree with the approach to allow to display the pre-contractual and periodic disclosures in an extendable manner electronically?

<ESMA_QUESTION_SFDR_35>

Our preference is to show pre-contractual and periodic disclosures in full in case the reader doesn’t click on an extendable section and therefore misses some of the disclosures.

<ESMA_QUESTION_SFDR_35>

Q36 : Do you have any feedback with regard to the potential criteria for estimates?

<ESMA_QUESTION_SFDR_36>

Allocations by the metrics Turnover, CapEx and OpEx are relevant to corporate securities such as equities, but irrelevant to alternative assets such as Insurance Linked Strategies. Allocations should therefore also be permitted to be shown by market value to be more inclusive of other asset classes such as ILS. Alternatively sovereign bonds and money market funds that underlie ILS and hold the collateral of such positions should be excluded from charts that use thes metrics.

<ESMA_QUESTION_SFDR_36>

Q37 : Do you perceive the need for a more specific definition of the concept of "key environmental metrics" to prevent greenwashing? If so, how could those metrics be defined?

<ESMA_QUESTION_SFDR_37>

Yes. As discussed in our answer to question 4 environmental metrics that are relevant to Insurance Linked Strategies are as follows. These specific definitions would be more inclusive of the ILS asset class and covering further environmental metrics:

- The proportion of Invested Assets as at the time each investment is made to marine transportation of fossil fuels or mining extraction of coal.

- The proportion of Invested Assets providing on-balance sheet capital to insurance companies by book value of assets relating to petroleum and gas companies or relating to the mining extraction of coal

<ESMA_QUESTION_SFDR_37>

Q38 : Do you see the need to set out specific rules on the calculation of the proportion of sustainable investments of financial products? Please elaborate.

<ESMA_QUESTION_SFDR_38>

Yes. As discussed in our answer to question 4 defining the following example indicators as PAIs would be inclusive of the Insurance Linked Strategies asset class. Rules that include these in the calculation of proportion of sustainable investments would help define the rules for this asset class:

- The proportion of Invested Assets as at the time each investment is made covering meteorological risks to ensure the protection of societies and businesses including against adverse risks related to climate.

- The proportion of Invested Assets as at the time each investment is made to natural catastrophe risks for residential and small commercial business to ensure their overall protection to adverse financial risks.

- The proportion of Invested Assets to insurance linked or reinsurance linked risks

- The proportion of Invested Assets as at the time each investment is made to marine transportation of fossil fuels or mining extraction of coal.

- The proportion of Invested Assets as at the time each investment is made allocated to the life, annuity and/or health protection insurance sectors.

- The proportion of Invested Assets providing on-balance sheet capital to insurance companies by book value of assets relating to petroleum and gas companies.

- The proportion of Invested Assets providing on-balance sheet capital to insurance companies by book asset values relating to mining extraction of coal.

<ESMA_QUESTION_SFDR_38>

Q39 : Do you agree that cross-referencing in periodic disclosures of financial products with investment options would be beneficial to address information overload?

<ESMA_QUESTION_SFDR_39>

No comment

<ESMA_QUESTION_SFDR_39>

Q40 : Do you agree with the proposed website disclosures for financial products with investment options?

<ESMA_QUESTION_SFDR_40>

No comment

<ESMA_QUESTION_SFDR_40>

Q41 : What are your views on the proposal to require that any investment option with sustainability-related features that qualifies the financial product with investment options as a financial product that promotes environmental and/or social characteristics or as a financial product that has sustainable investment as its objective, should disclose the financial product templates, with the exception of those investment options that are financial instruments according to Annex I of Directive 2014/65/EU and are not units in collective investment undertakings? Should those investment options be covered in some other way?

<ESMA_QUESTION_SFDR_41>

No comment

<ESMA_QUESTION_SFDR_41>

Q42 : What are the criteria the ESAs should consider when defining which information should be disclosed in a machine-readable format? Do you have any views at this stage as to which machine-readable format should be used? What challenges do you anticipate preparing and/or consuming such information in a machine-readable format?

<ESMA_QUESTION_SFDR_42>

When defining the required output commonly used file formats should be requested by the ESAs which most orgniasations will be able to supply such as xls, csv, doc, etc files.

<ESMA_QUESTION_SFDR_42>

Q43 : Do you have any views on the preliminary impact assessments? Can you provide estimates of costs associated with each of the policy options?

<ESMA_QUESTION_SFDR_43>

The inclusion of non-ESRS new social indicators as PAIs in the new version of SFDR is required for alternative asset classes such as Insurance Linked Strategies. Without this legal, compliance and consultancy costs will be higher for smaller managers such as Leadenhall Capital Partners to ensure that the “Other E/S characteristics” of our investments continue to remain appropriate for our investment strategies.

<ESMA_QUESTION_SFDR_43>