

# Feedback on the draft technical advice on minimum requirements for the EU climate-transition benchmarks and the EU Paris-aligned benchmarks and benchmarks' ESG disclosures

Fields marked with \* are mandatory.

## Introduction

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### Disclaimer

This call for feedback is part of Directorate-General for Financial Stability, Financial Services and Capital Markets Union, Directorate-General for Environment, Directorate-General for Climate action and Directorate-General for Energy ongoing work on sustainable finance, for which the European Commission has set up a [dedicated technical expert group \(TEG\)](#).

This feedback process is neither an official Commission document nor an official Commission position. Nothing in this feedback process commits the Commission nor does it preclude any potential policy outcomes.

In 2018 the European Commission (EC) published its [action plan on financing sustainable growth](#) (action plan). In action 5 of the action plan, the European Commission commits to put forward, subject to the outcome of its impact assessment, an initiative for harmonising benchmarks comprising low-carbon issuers, based on a sound methodology to calculate their carbon impact. On 24 May 2018 the Commission published its [proposal for a Regulation on 'low carbon' and 'carbon positive' benchmarks](#) amending the [benchmark regulation \(Regulation \(EU\) 2016/1011\)](#).

On 25 February 2019, the European Parliament and the Council reached a political agreement on the creation of two new categories of benchmarks, the 'EU climate transition benchmark' and the 'EU Paris-aligned benchmark'. The establishment of EU climate transition and EU Paris-aligned benchmarks,

underpinned by a methodology linked to commitments regarding carbon emission of the Paris Climate Agreement, would contribute to better transparency and help prevent greenwashing. The two new categories of benchmarks are voluntary labels designed to support investors who wish to adopt a climate-conscious investment strategy in choosing an appropriate benchmark.

The amending Regulation requires the European Commission to adopt delegated acts laying down minimum standards as to the methodology of 'EU climate transition' and 'EU Paris-aligned' benchmarks; and minimum content of disclosure explaining how the benchmark methodologies of all benchmarks (with the exception of currency and interest rate benchmarks) reflect ESG factors.

The TEG received a mandate from the European Commission to assist it in the development of the above-mentioned delegated acts.

The [TEG is publishing its interim report](#), subject to the call for feedback.

[Section 3](#) details the technical advice on minimum ESG disclosure requirements to improve transparency and comparability of information across benchmarks.

[Section 4](#) and [section 5](#) include the technical advice on the minimum requirements for the two climate benchmarks.

For the purposes of this call for feedback, **'CTB' means climate-transition benchmark** and **'PAB' means Paris-aligned benchmarks**.

Following the call for feedback and taking into account the feedback received, the TEG will publish a final version of the report by the end of September 2019. The Commission reserves the right to revise and/or supplement this report. The advice received should not prejudice the Commission's final policy decision and the content of the future delegated acts.

Financial market participants are invited to give their feedback on the key elements of this interim report as flagged in the below.

**The deadline for providing feedback is 2 August 2019 cob.**

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**Please note:** In order to ensure a fair and transparent feedback process **only responses received through our online questionnaire will be taken into account** and included in the report summarising the responses. Should you have a problem completing this questionnaire or if you require particular assistance, please contact [ec-teg-sf@ec.europa.eu](mailto:ec-teg-sf@ec.europa.eu).

Useful documents and links:

- [More on EU climate benchmarks and benchmarks' ESG disclosures](#)
- [Interim report](#)
- [Summary of the interim report](#)
- [Specific privacy statement](#)

# 1. Information about you and your organisation

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\* Are you replying as a(n):

- ☐ index provider
- ☐ institutional investor/ asset owner
- ☐ public sector issuer/ borrower (sovereigns, regions, municipalities, government backed entities)
- ☐ multilateral or bilateral financial institution, government backed agency or development bank
- ☐ corporate issuer/borrower
- ☐ financial institution acting as issuer/borrower
- ☐ financial institution acting as intermediary
- ☐ financial institution acting as lender
- ☐ NGO
- ☐ sustainability consultancy
- ☐ credit rating agency
- ☐ auditing/assurance firm
- ☐ academic
- ☐ stock exchange
- ☐ other

\* Please specify in what other capacity your are replying:

\* Name of your organisation:

\* Contact email address:

The information you provide here is for administrative purposes only and will not be published

\* Is your organisation included in the Transparency Register?

(If your organisation is not registered, [we invite you to register here](#), although it is not compulsory to be registered to reply to this consultation. [Why a transparency register?](#))

- ☐ Yes
- ☐ No

\* If so, please indicate your Register ID number:

If relevant, please provide us with the following characteristics of the organisation in which capacity are you answering:

Number of employees:

Please round the number to thousands. If it is above 50.000, just indicate 50.000)

employees

AuM benchmarked:

euros

AuM owned:

euros

\* Where is your organisation based?

- ☐ EU member State
- ☐ Europe, but non-EU
- ☐ North America
- ☐ Latin America
- ☐ Asia
- ☐ Africa
- ☐ Other


\* Please specify in what other region is your organisation based:



## Important notice on the publication of responses

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\* Contributions received are intended for publication on the Commission's website. Do you agree to your contribution being published?

([see specific privacy statement](#) )

- ☐ Yes, I agree to my response being published under the name I indicate (*name of your organisation /company/public authority or your name if your reply as an individual*)
- ☐ No, I do not want my response to be published

## 2. Your opinion

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### 1.1 Overall ESG disclosure

## Disclosure requirements for all benchmarks

1. The TEG believes that the sustainability disclosure requirements for all benchmarks in the methodology and in the benchmark statement should be distinguished by type of asset classes. Do you agree with this approach?

- ☐ Yes
- ☐ No
- ☐ Don't know / no opinion / not relevant

2. Do you believe that non-significant benchmarks should disclose less information than significant benchmarks, in line with the proportionate approach set out in the [benchmark regulation \(Regulation \(EU\) 2016/1011\)](#)?

- ☐ Yes
- ☐ No
- ☐ Don't know / no opinion / not relevant

3.a The TEG has identified different types of KPIs of the benchmarks for the respective asset classes (see Section 3 of the [TEG report on climate benchmarks and ESG benchmarks' disclosures - 'the Report' - Annex I to VII](#)).

On a scale from 1 to 5, please express your view as to the level of indication for the suggested KPIs for the respective asset class of benchmarks (1 indicating the lowest level of satisfaction regarding the KPIs):

	1 (lowest level of satisfaction)	2	3	4	5 (highest level of satisfaction)	Don't know / no opinion / not relevant
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<a href="#">Equities (annex I)</a>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
<a href="#">Fixed Income - Corporates &amp; Securitised (ABS) (annex II)</a>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
<a href="#">Fixed Income – SSA (annex III)</a>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
<a href="#">Commodities (annex IV)</a>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
<a href="#">Infrastructure (annex V)</a>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
<a href="#">Private Equity, Private Debt, Infrastructure (annex VI)</a>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
<a href="#">Hedge Funds (annex VII)</a>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

**3.b Please indicate any KPI(s) you would not favor to include from the KPIs listed in section 3 of the Report:**

*1000 character(s) maximum*

**3.c) Please indicate any KPI(s) you would recommend to add to the KPIs listed in section 3 of the Report:**

*1000 character(s) maximum*

**4. Do you agree with the mandatory disclosure of ESG ratings for equity and fixed-income benchmarks?**

- ☐ Yes
- ☐ No
- ☐ Don't know / no opinion / not relevant

**5. If relevant, please explain the impact of the disclosure of ESG ratings for equity and fixed income benchmarks on you, especially in terms of the costs and benefits implied:**

*3000 character(s) maximum*

**6.a The TEG has drawn up templates for the disclosure of ESG information in the benchmark statement and in the methodology (see [templates 1 and 2 in Appendix D](#) of the Report).**

**On a scale from 1 to 5, please express your view regarding the format of these templates (1 indicating the lowest level of satisfaction regarding the format):**

- ☐ 1 (lowest level of satisfaction)
- ☐ 2
- ☐ 3
- ☐ 4
- ☐ 5 (highest level of satisfaction)
- ☐ Don't know / no opinion / not relevant

**6.b Would you have any suggestions to improve the format of the templates?**

2000 character(s) maximum

**6.c On a scale from 1 to 5, please express your view as to the cost of producing these templates (1 indicating the lowest level of cost of implementation):**

- ☐ 1 (lowest level of cost)
- ☐ 2
- ☐ 3
- ☐ 4
- ☐ 5 (highest level of cost)
- ☐ Don't know / no opinion / not relevant

**7 Do you agree that the template for ESG factors in the benchmark statement should be updated at least on a quarterly basis?**

- ☐ Yes
- ☐ No
- ☐ Don't know / no opinion / not relevant

**If you responded "no" to question 7, what update frequency would you prefer? Do you have any further comments?**

2000 character(s) maximum



**8. Do you agree with the disclosures on overall degree of alignment with the objectives of the Paris Climate Agreement ([template 3 in Appendix D](#))?**

- ☐ Yes
- ☐ No
- ☐ Don't know / no opinion / not relevant

**8.b Would you have any suggestions to improve this template 3 (in terms of content and format)?**

*2000 character(s) maximum*

**9. Do you think that the CTB & PAB should disclose more information (please [see section 4.1 of the Report](#))?**

- ☐ Yes
- ☐ No
- ☐ Don't know / no opinion / not relevant

**If you responded "yes" to question 9, please provide any further comments and/or suggestions:**

2000 character(s) maximum

**10. What is the overall impact of the above technical advice on ESG disclosures, especially in terms of costs to benchmark administrators and benefits to investors? Please provide clear indication to which stakeholder your answer belongs.**

3000 character(s) maximum

**11. Do you see a need for guidance from the TEG on ESG data related charges similar to what is set out in the shareholder rights directive II.**

- ☐ Yes
- ☐ No
- ☐ Don't know / no opinion / not relevant

## 1.2 Methodology of the climate benchmarks

**12. Do you think the CTB and the PAB differ methodology-wise sufficiently from each other?**

- ☐ Yes
- ☐ No
- ☐ Don't know / no opinion / not relevant

**13.a Please express your agreement with the proposed minimum requirements for C T B .**

**Use the scale from 1 to 5 (with 1 indicating no agreement):**

	1 (no agreement)	2	3	4	5 (full agreement)	Don't know / no opinion / not relevant
Minimum Scope 1+2(+3) carbon intensity reduction of 30 % compared to investable universe	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Scope 3 phase-in (2 – 4 years)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
The green brown share ratio shall at least be equivalent to the green share/brown share ratio of the investable universe	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Minimum exposure to sectors highly exposed to climate change issues is at least equal to market benchmark value	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

At least 7% of annual decarbonisation: in line with or beyond the decarbonisation trajectory from the IPCC's 1.5°C scenario (with no or limited overshoot)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
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**13.b Please provide any comments on recommended changes or additions to the minimum requirements listed in question 13.a:**

*3000 character(s) maximum*

**14.a Please express your agreement with the proposed minimum requirements for**  
**P      A      B      .**

**Use the scale from 1 to 5 (with 1 indicating no agreement):**

	1 (no agreement)	2	3	4	5 (full agreement)	Don't know / no opinion / not relevant
Minimum Scope 1+2(+3) carbon intensity reduction of 30 % compared to investable universe	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Scope 3 phase-in (2 – 4 years)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

The green brown share ratio shall at least be equivalent to the green share/brown share ratio of the investable universe	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Minimum exposure to sectors highly exposed to climate change issues is at least equal to market benchmark value	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
At least 7% of annual decarbonisation: in line with or beyond the decarbonisation trajectory from the IPCC's 1.5°C scenario (with no or limited overshoot)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

**14.b Please provide any comments on recommended changes or additions to the minimum requirements listed in question 14.a:**

*3000 character(s) maximum*

**15. Do you think that it would be relevant to extend the minimum requirements to sovereign indices?**

- ☐ Yes
- ☐ No
- ☐ Don't know / no opinion / not relevant

**16. Do you believe that the requirement set out in the amending regulation (article 23a) for CTB & PAB to select, weight or exclude underlying asset that follow a decarbonisation trajectory should be further clarify in a minimum requirement?**

- ☐ Yes
- ☐ No
- ☐ Don't know / no opinion / not relevant

**If you responded "no" to question 16, which kind of minimum requirement would you like to see in the delegated act?**

*2000 character(s) maximum*

**17. Do you think the scenario selected to drive the decarbonisation trajectory – IPCC 1.5° with no or limited overshoot – is the most appropriate one?**

- ☐ Yes
- ☐ No
- ☐ Don't know / no opinion / not relevant

**If you responded "no" to question 17, please provide any further comments and/or suggestions:**

*2000 character(s) maximum*

**18. Do you think the minimum standards suggested in the report leave enough flexibility for market players to further innovate in the field of climate indices aligned with ambitious climate trajectories?**

- ☐ Yes
- ☐ No
- ☐ Don't know / no opinion / not relevant

**If you responded "no" to question 18, please provide any further comments and/or suggestions:**

*2000 character(s) maximum*

**19. Do you agree having different denominators (e.g. total capital, revenue) for the calculation of the GHG intensity depending on the use case ([table 6 in Section 5.3.3 in the Report](#))?**

- ☐ Yes
- ☐ No

☐ Don't know / no opinion / not relevant

**If you responded "no" to question 19, please provide any further comments and/or suggestions:**

*2000 character(s) maximum*

**20. Do you believe that the definition of total capital (i.e. 'the sum of the book values of common stock, preferred equity, long term debt and minority interest') for the calculation of the GHG intensity is accurate?**

- ☐ Yes
- ☐ No
- ☐ Don't know / no opinion / not relevant

**If you responded "no" to question 20, please provide any further comments and/or suggestions:**

*2000 character(s) maximum*

**21. Do you think that administrators of CTBs & PABs should disclose more information?**

- ☐ Yes



- ☐ No
- ☐ Don't know / no opinion / not relevant

**22. What is the overall impact of the technical advice on CTBs and PABs, especially in terms of costs to benchmark administrators and benefits to investors?**

*3000 character(s) maximum*

### 3. Additional information

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Should you wish to provide additional information (e.g. a position paper, report) or raise specific points not covered by the questionnaire, you can upload your additional document(s) here: