



JOINT COMMITTEE OF THE EUROPEAN  
SUPERVISORY AUTHORITIES

## Summary of Comments on Consultation Paper JC 2017 05

### CP-17-002 Technical Advice on EOS PRIIPs

31 March  
2017

EIOPA would like to thank 2 degree Investing Initiative, ALFI Association of the Luxembourg Fund Industry, AMAFI, ANASF, Association Française de la Gestion financière - A, Association of International Life Offices (AILO), Austrian Federal Economic Chamber, Division Bank a, Aviva Investors, BIPAR, BVI Bundesverband Investment und Asset Management, Ecofi Investissements, Euronext, European Fund and Asset Management Association (EF, Eurosif, FECIF, Federation of European Securities Exchanges (FESE), German Banking Industry Committee, German Insurance Association, Insurance Europe, Intesa Sanpaolo Vita S.p.A., Joost Mulder (individual), Lieve Lowet, consumer of EOS PRIIPs, London Stock Exchange Group, Mirova, Oberbank AG, OP Financial Group, Schroder Investment Management Ltd, sriServices, Swedish Investment Fund Association (SIFA), SYCOMORE ASSET MANAGEMENT, The Actuarial Association of Europe, The Norwegian Consumer Council, Triodos Bank NV, and WWF European Policy Office

The numbering of the paragraphs refers to Joint Consultation Paper No. JC 2017 05

(Confidential and EIOPA-internal comments are highlighted in red and were deleted before publishing the final document on the JC website.)

No.	Name	Reference	Comment
1.	2 degree Investing Initiative	General Comments	We fully support the technical guidance and consider that it will significantly improve the transparency around EOS PRIIPs. In order to improve the efficiency and reduce resistance we propose to clearly allow for two types of EOS PRIIPs, corresponding to the objectives of retail investors as described in the introduction (p.9): 1) Alignment with values and 2) creating an impact on society.
2.	ALFI Association of the Luxembourg Fund Industry	General Comments	ALFI supports the promotion of a sound and transparent Responsible Investment (RI) market (or Sustainable and Responsible Investment - SRI).  ALFI however believes that the proposal should remain within the scope of advising on the procedures

			<p>to be used to determine when a PRIIP KID can refer to specific environmental or social objectives:</p> <ul style="list-style-type: none"> <li><input type="checkbox"/> the advice should not add disclosure requirements (see comments on Advice 1 below);</li> <li><input type="checkbox"/> the advice should not amend the scope of MiFID II or IDD (see comments on Advice 2 below);</li> <li><input type="checkbox"/> the advice should not add to product rules (see comments on Advice 3 below); and</li> <li><input type="checkbox"/> the advice should suggest procedures, not exclude certain strategies (see comments on Advice 3 below).</li> </ul> <p>Additional ancillary comments:</p> <ul style="list-style-type: none"> <li><input type="checkbox"/> The SRI market has already a variety of acronyms. We recommend not to promote the raise of a new “EOS PRIIPs” acronym, which we believe would contribute to making the market more difficult to assess for investors.</li> <li><input type="checkbox"/> A grandfathering clause should be foreseen: existing funds should be given time to comply if they elect to indicate this in their KIDs.</li> </ul>
3.	AMAFI	General Comments	<ul style="list-style-type: none"> <li><input type="checkbox"/> AMAFI agrees with the fact that there is no commonly recognised definition of environmental or social (“EOS”) investments and that it is key to establish such a definition.</li> <li><input type="checkbox"/> There is a certain degree of uncertainty in the new EOS concept compared to existing ESG or SRI concepts. Therefore, we would encourage the ESAs to clarify the scope of the EOS concept.</li> <li><input type="checkbox"/> Rules on EOS PRIIPs should not unduly restrict generally accepted socially responsible investment strategies if those are properly disclosed. AMAFI would like to highlight that there are different approaches used to obtain an EOS PRIIP like we explained in our answer to question 1.</li> </ul>

			<p><input type="checkbox"/> Moreover, in drafting their final technical advises, the ESAs should take into account those financial instruments whose underlying aim at promoting EOS concepts without necessarily being itself directly invested in the EOS asset; like structured products.</p>
4.	Association Française de la Gestion financière - A	General Comments	<p>AFG represents the third party asset management industry in France.</p> <p>AFG welcomes this initiative which aims to increase the transparency about EOS PRIIPs. AFG decided very early on to fully support the development of responsible investment in France. AFG’s involvement in SRI fits within the larger context of its promotion of long-term savings and asset quality.</p> <p>Since 2010, it is a professional rule that all French SRI retail funds should comply with the European “Transparency Code”. As of today, 350 funds managed by 49 asset management companies subscribed to the Code.</p> <p>We are currently updating the Transparency Code to make it easier to read for retail investors. In particular, we will add a requirement for a summary of the fund ESG investment policy at the beginning of the Code (2 pages summary).</p> <p>AFG thinks that the terminology EOS used in this consultation paper can be misleading. This consultation paper talks about “environnemental or social objectives” which becomes abbreviated as EOS. It already exists various terminologies to describe responsible investment processes (ESG criteria, SRI, RI,...). EOS is a new term which is unknown and could create confusion. By the way products can be E AND S (EAS) and not only E OR S (EOS).</p> <p>We don’t understand why the consultation paper only talks about environnemental or social objectives. In general, when we talk about responsible investment, we add the governance objective and talk about ESG criterias.</p>

			The scope should be clarified. We understand that EOS PRIIPs should only be for funds which have explicitly ESG criteria as a central element of the management objectives, by contrast with a wider range of funds which only have some restrictions related to investment but for which ESG criteria are not a central element of their management objectives (e.g. prohibition to our whole fund range to be invested in cluster munitions).
5.	Association of International Life Offices (AILO)	General Comments	AILO represents the interests of a number of life insurance and pension providers who only transact business cross border in the EU and other regions of the world. AILO members primarily offer unit linked policies and in particular multi option products "MOPs". Such products are favoured in particular by mass affluent investors in many Member States as they can offer a number of advantages over direct investment such as holding numerous investments in one pot and succession planning. They will clearly be an important product for making EOS funds available to retail investors. To achieve that aim it is essential to ensure that where it does no more than facilitate the EOS as an underlying investment choice and does not amend it in any way, the MOP provider is not equated with the EOS manufacturer. It is critical that as a point of first principal it is explicitly recognised that MOP providers fulfil their obligations in accordance with the derogation granted by Article 6.3 PRIIPs Regulation if they signpost the investor to the PRIIP manufacturer's website to find relevant information - be it the KIID; IPS or prospectus. Further it needs to be explicitly stated that the MOP provider has no legal liability in respect of the information on the underlying investment choices such liability arising out of the PRIIPs Regulation resting solely with the manufacturer of the underlying. It is recognised that in the process of permitting ongoing access to the underlying the MOP provider has to exercise the prudent person principle in accordance with EIOPA's guidelines on product governance.
6.	Austrian Federal Economic Chamber, Division Bank a	General Comments	Asset managers which complete and update annually the European transparency code of EUROSIF should meet the envisaged requirements through a link in the necessary document (KID, prospectus, etc.). This means that fulfilling and yearly updating would comply with the proposal.
7.	Aviva Investors	General Comments	Aviva is a large European investor through Aviva Investors, which has more than €500bn in assets under management, investing in projects and companies across Europe, including in low-carbon



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			<p>infrastructure. With over twenty years' experience we have developed a deep understanding of how sustainability can be embedded into investments.</p> <p>In our vision of a sustainable future, individuals will be aware of what corporate activity they are funding through their savings and investment products; and how these companies are performing on sustainability issues. They will know that their influence over the companies they own has been used positively. And they understand how to hold their fund manager to account and ensure they are aware of how sustainably and responsibly the fund manager is managing their money.</p> <p>Specifically, we welcome a greater focus on disclosure to customers around how financial players and the financial products they offer to customers – from investments to insurance – take sustainability into account. Traditionally much of the focus on sustainable finance has been on improving the supply side through initiatives such as Stewardship Codes. Whilst this is welcome, there is a lack of demand for stewardship throughout the investment chain. Increasing demand, including through increased disclosure, improved financial literacy and re-aligned incentives will have a profound and permanent impact on behaviours.</p>
8.	BIPAR	General Comments	<p>BIPAR is the European Federation of Insurance Intermediaries. It groups 53 national associations in 30 countries. Through its national associations, BIPAR represents the interests of insurance intermediaries (agents and brokers) and financial intermediaries in Europe. More information on BIPAR can be found on: <a href="http://www.bipar.eu">www.bipar.eu</a></p> <p>BIPAR welcomes the opportunity provided by the European Supervisory Authorities to comment on the joint consultation paper on PRIIPs with environmental or social objectives ('EOS PRIIPs').</p> <p>Generally speaking, the ESAs' suggestions appear well-balanced with regard to product governance. The ESAs' suggestions on how to ensure that firms make it clear in the KID/ in the Investor Policy Statement,... how the product will help achieve the investor's specific environmental or social objectives, also appear well-balanced.</p> <p>However, we have some specific points that we would like to flag regarding the draft technical advice and the consultation paper in general.</p>

			<p>1. The role of intermediaries/ distributors</p> <p>In the consultation paper, intermediaries are mentioned on p 15, where it is said that: “The wide variety of EOS practices only presents a real opportunity to retail investors if the information provided to them is sufficient to form an opinion about whether the products meet their expectations. This aspect is also important for any financial intermediaries which should need to have an understanding about the EOS strategy of the products they are recommending or offering.”</p> <p>At various occasions, the consultation paper refers to the manufacturer providing (additional to the KID) information to the retail investor.</p> <p>It has to be clear that any information on EOS PRIIPs or on outcome of regular reviews also has to be made available to distributors.</p> <p>2. Manufacturers’ responsibility for POG</p> <p>With regard to product oversight and governance rules, BIPAR is of the opinion that this is manufacturers’ liability. BIPAR refers to MiFID II and IDD rules in this respect. EOS POG rules should, besides the EOS’ specificity, not be different from the POG rules for other PRIIPs.</p> <p>3. General approach towards environmental/social investments in the consultation paper</p>
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			<p>BIPAR believes that the approach towards environmental/social investment may be too narrow.</p> <p>People take up these investments for all kind of reasons – they may want to reflect their values or have specific environmental/social objectives they want to achieve. But there is also a growing body of evidence to demonstrate that some “ESG investment approaches” (e.g. ESG integration or Best in Class) achieve much better returns over 3/5/7 year periods, or are good for risk mitigation. As a result, there are more investors – both institutional and retail – who are choosing such an approach because they want the returns; any environmental/social benefits are incidental.</p> <p>The ESAs’ approach as it currently stands, in our opinion, focuses almost exclusively on “achieving an environmental/social objective” as a reason for investor interest instead of also acknowledging that ESG strategies can be desired by investors for their impact on returns (and risk). We believe that the approach must be more balanced. Any principles or guidance should highlight that there are other reasons for pursuing these investments.</p> <p>In terms of practical implications, a restrictive approach to the KIDs for products with an environmental/social aspect could lead product manufacturers and distributors to think about “ESG investments” in a similarly narrow sense in terms of target markets etc., only considering these options when the client has or raises specific environmental/social objectives.</p> <p>In many markets, “ESG investment” still remains a new/unfamiliar investment approach. We believe there is a case to be made for the ESAs to use wording which supports manufacturers and distributors in thinking as broadly as possible as to what might be suitable for their clients.</p>
9.	BVI Bundesverband Investment und	General Comments	<p>It is decisive that the rules for EOS PRIIPs ensure meaningful transparency for investors without curtailing the growth of responsible investments (RI). BVI<sub>1</sub> therefore gladly takes the opportunity to present its views on the ESAs’ proposal with the following key elements:</p>

	Asset Management		<ul style="list-style-type: none"> <li>- We agree that requirements for EOS PRIIPs should not follow a normative labelling approach since there is no common understanding or definition of environmental and social investments.</li> <li>- While ESG integration may form part of a formal investment strategy at a product level, asset managers also often use ESG integration for the mainstream business as risk management or long-term value creation tool. We believe it is in the interest of policy makers, investors as well as the financial industry that asset managers can continue to apply this form of ESG integration and disclose it without running the risk that also all of their non-sustainable products are considered as EOS PRIIPs (see below our comments to Q1). This would be counterproductive and would have a negative impact on the growth of RI. In this regard, we are in particular concerned about the ESAs’ statement regarding disclosure “in other than the KID or marketing information statements” (p. 20, paragraph no. 2, see below).</li> <li>- Rules on EOS PRIIPs should not require manufactures to apply an impact investment strategy but should recognise all generally accepted RI strategies as strategies for EOS products if those are part of the formal investment strategy. In this respect, we particularly are concerned that technical advice 3 could be understood as a requirement for impact investing (see below our comments to Technical Advice 3).</li> <li>- Furthermore, we are also concerned that the ESAs use EOS PRIIPs in order to apply the manufacturers product governance rules to management companies although these are exempt from MiFID and are outside the IDD’s scope. Furthermore, we believe that the ESAs have not taken into account all rules under UCITS and AIFM Directives which provide similar arrangements as the product governance rules under MiFID and IDD even if they are described and labeled differently.</li> <li>- Lastly, we like to ask the ESAs to analyse the possibility to adjust the terminology in the technical advice to established terminology such as ESG and RI. Although the PRIIPs Regulation refers to environmental and social objectives, we believe that these are interlinked with the governance of investee companies. Existing terms as ESG and RI are not yet clear enough, a new term as EOS PRIIPs would in our view rather facilitate misperceptions.</li> </ul>
C 10.	Confidential comment	General Comments	Confidential comment.
11.	Ecofi	General	Ecofi Investissements welcome this consulting initiative which is aimed in increasing the level of

	Investissements	Comments	trasparency about EOS objectives in PRIIPs reporting.
12.	Euronext	General Comments	<p>Euronext is the leading pan-European exchange in the Eurozone with nearly 1,300 listed issuers worth close to €3.3 trillion in market capitalisation as of end December 2016, an unmatched blue chip franchise consisting of 25 issuers in the EURO STOXX 50® benchmark and a strong diverse domestic and international client base.</p> <p>Euronext operates regulated and transparent equity and derivatives markets. Its total product offering includes Equities, Exchange Traded Funds, Warrants &amp; Certificates, Bonds, Derivatives, Commodities and Indices. Euronext also leverages its expertise in running markets by providing technology and managed services to third parties. Euronext operates regulated markets, Alternext and the Free Market; in addition it offers EnterNext, which facilitates SMEs’ access to capital markets.</p> <p>Euronext welcomes the opportunity to respond to the joint consultation on ‘PRIIPS with environmental or social objectives’.</p> <p>In this response Euronext wishes to address the scope of these additional requirements specifically with respect to exchange traded derivatives (ETDs) such as options and futures that are traded on Regulated Markets. According to Article 8(3)(2)(c) of the PRIIPS Regulation, the KID should contain a section explaining its objectives and the means for achieving them, including, where applicable, specific environmental or social objectives (EOS) targeted by the product.</p> <p>It is important to note that ETDs always follow an underlying and that the decision to introduce an option or a future is based on a number of factors, for instance:</p> <ul style="list-style-type: none"> <li>(i) the liquidity in the underlying,</li> <li>(ii) market needs, and/or</li> <li>(iii) hedging needs.</li> </ul>

			<p>However, the ETD that is launched does not specifically target any investment goal, including EOS. In particular, investment goals – including EOS - are not embedded in the derivative and the instrument is not intended to follow any objectives per se, nor is it marketed or positioned in any way with reference to such objectives: in short, ETDs do not include a specific EOS targeted choice.</p> <p>While options and futures can be launched on an underlying share or index that have such elements incorporated, for the above reasons Euronext believes it would not be logical to apply the requirements under this consultation to ETDs. We would appreciate confirmation of this view by the joint regulators.</p>
13.	European Fund and Asset Management Association (EFMA)	General Comments	<p>TERMINOLOGY, DEFINITIONS AND SCOPE</p> <p><input type="checkbox"/> We agree that requirements for EOS PRIIPs should not follow a normative labelling approach given that there is no recognised common definition of environmental and social investments.</p> <p><input type="checkbox"/> In relation to the terminology used in this Consultation Paper, reference is made to “environmental or social objectives”, which becomes abbreviated as EOS. Various terminologies exist to describe responsible investment processes (ESG criteria, SRI etc), however EOS is a somewhat novel term and we would encourage the ESAs to align with terminology already in existence. The new terms introduced will likely create further confusion in the market place.</p> <p><input type="checkbox"/> In relation to the scope of the EOS PRIIPs framework, it is unclear whether it is a PRIIP with specific EOS objectives or a PRIIP that has ESG integrated as part of its investment process. We believe it should not be the latter. While ESG integration may form part of a formal investment strategy at a product level, asset managers also often use ESG integration for their mainstream investment as risk management or a long-term value creation tool. We believe it is in the interest of policy makers, investors as well as the financial industry that asset managers continue applying this form of ESG integration and disclose it without running the risk that all of their non-sustainable</p>

			<p>products are also considered as EOS PRIIPs (see below our comments to Q1). This would be counterproductive and would have a negative impact on the growth of responsible investment. In this regard, we are concerned about the ESAs’ statement regarding disclosure “in other than the KID or marketing information statements” (p. 20, paragraph no. 2, see below). It should be clear that the scope should not cover funds which only have some restrictions related to investment but for which EOS/ESG/SRI is not a central element of their management objectives (for example, some asset managers have a prohibition on their whole fund range for investment in assets related to cluster munitions).</p> <p><input type="checkbox"/> Related to the scope, it is our understanding that in a number of instances (for example Technical Advices 3 and 6), there seems to be significant focus on the impact of investing in a EOS PRIIP as opposed to the ESG integration in the investment making procedure. Rules on EOS PRIIPs should not require manufacturers to apply an impact investment strategy but should recognise all generally accepted responsible investment strategies as strategies for EOS products if those are part of the formal investment strategy. In this respect, we are concerned that Technical Advice 3 and 6 could be understood as a requirement for impact investing (see below our comments to Technical Advice 3).</p> <p><b>GAP ANALYSIS IN PRODUCT GOVERNANCE</b></p> <p><input type="checkbox"/> From a UCITS/ AIFM fund management point of view, the reference to MiFiD product governance has little added value, as fund management is exempt from MiFiD II (though we accept that such governance rules could be applied by individual Member State competent authorities if they so wish). We are concerned that EOS PRIIPs is being used to apply the manufacturers product governance rules to management companies although these are exempt from MiFID and are outside the scope of the Insurance Distribution Directive – (Technical Advice 2 specifically states this).</p>
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			<ul style="list-style-type: none"> <li><input type="checkbox"/> We believe the ESAs’ gap analysis is incomplete. The gap analysis table is limited to product governance rules, whereas validation procedures (referred to in the Commission mandate<sup>7</sup> and only in passing in the overview of the Consultation Paper<sup>7</sup> ) are not taken into account. When included, the validation procedures change the nature of the gap analysis and therefore the proposed Technical Advice. If the gap analysis is amended in the way described below including a combination of validation requirements and product governance rules for UCITS (and equivalent retail AIFs), existing EU legislation for such products is already adequate and no additional measures are needed as no shortfall is identified.</li>   <li><input type="checkbox"/> A heading “Product Validation Procedures” needs to be inserted, where all sectoral legislation should be listed in cases where there is such validation procedures relating to products. For example, for UCITS at a minimum the table should then makes specific reference to: <ul style="list-style-type: none"> <li><input type="checkbox"/> UCITS Directive Article 4, last paragraph – a UCITS should not be authorised if the competent authority has doubts about the manager (or are not sufficiently experienced also in relation to the type of UCITS to be managed).</li> <li><input type="checkbox"/> UCITS Directive Article 5(2) the role of the competent authority in authorising (validating) the UCITS – i.e. direct supervision/regulation of the product by the regulator in UCITS. That authorisation process involves approving the fund rules/prospectus meaning the following are also particularly relevant: <ul style="list-style-type: none"> <li><input type="checkbox"/> UCITS Annex A Schedule A (requirements of the prospectus) paragraph 1,15 (description of the fund’s investment objectives)</li> <li><input type="checkbox"/> UCITS Annex A Schedule A paragraph 5.2 Profile of the typical investor for whom the UCITS is designed.</li> </ul> </li> </ul> </li>   <li><input type="checkbox"/> For AIFM, there is no validation of the product, the reason being that the AIFM is a manager Directive, not a product Directive. However, in certain Member States, there are national requirements which mirror UCITS authorisation procedures where AIFs are permitted to be sold to retail investors.</li> </ul>
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			<ul style="list-style-type: none"> <li><input type="checkbox"/> The table headed 'Product Governance Rules' only refers to UCITS legislation via MiFID article 9.3 limitations and UCITS Level 2 Directive 43/2010/EC Article 4 (general Governance and organisational requirements) and Article 23 (Development of the investment strategy):</li> <li><input type="checkbox"/> UCITS Level 2 Directive Article 23 should be split into the relevant headings as listed under the table:</li> <li><input type="checkbox"/> Article 23(2) is relevant to the development of an investment strategy in that the firm should ensure it has adequate knowledge of EOS before it produces the product.</li> <li><input type="checkbox"/> Article 23(3) is relevant to ongoing monitoring (Development and operation of processes, systems and controls to ensure the investment strategy is properly implemented).</li> <li><input type="checkbox"/> UCITS Directive Article 12.1 should also be referred to in the section on ongoing monitoring – it puts a duty on Member States to have “prudential rules which management companies authorised in that Member State, with regard to the activities of management of UCITS authorised according to this directive, shall observe at all times” and which as paragraph (a) refers to “and that the assets of the UCITS managed by the management company are invested according to the fund rules or the instrument of incorporation and the legal provisions in force”.</li> <li><input type="checkbox"/> Level 2 Delegated Directive Article 9.2. (b)(d) and (e) which refers respectively to overseeing approval of investment strategies and verifying compliance on a periodic basis should also be referred to in ongoing monitoring.</li> <li><input type="checkbox"/> There is no reference to the role of the UCITS or AIFM depository. Both Directives place a</li> </ul>
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			<p>requirement on the depositary (UCITS Article 22. 3(c) and AIFMD Article 21 9 (c)) to carry out the instructions of the management company unless they conflict with the fund rules. This is an additional level of monitoring in that if a fund has a specific investment objective of EOS investments but the manager bought cluster munitions, there would be a duty on the depositary to reject that deal. This is an additional level of protection and should be included in the ongoing monitoring part of the table.</p> <p><input type="checkbox"/> UCITS articles 68 &amp; 69, 72, 73 and 74 are also relevant with regard ongoing monitoring and auditor sign off of annual reports.</p> <p><b>INTERACTION WITH MiFID II &amp; TARGET MARKET</b></p> <p><input type="checkbox"/> The Consultation Paper makes reference to the target market of the PRIIPs EOS. EFAMA does not believe that a difference should be made between the target market of an EOS PRIIPs and a PRIIPs with no EOS objectives. This requirement makes the target market too restrictive. Compare for example an equity fund non-EOS, and an equity fund EOS. Or alternatively, a bond fund non-EOS and a bond fund EOS. On dimensions such as 'required knowledge and experience from investor'; 'risk tolerance of the investor'; 'minimum holding period', there is no material difference between the EOS version and the non EOS funds.</p> <p><input type="checkbox"/> At this point in time, the ESMA guidelines with regard to MiFiD II product governance (target market) and its relation with the PRIIPs KID are not yet final. As such, our comments do not take into account possible implications arising from these guidelines. (We point to the fact that one of the unresolved issues is the distinction between investor's objectives and investor's needs: the draft version of the guidelines suggests that EOS could be mentioned as an element of investor's needs, but the examples in the draft suggested otherwise).</p>
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			<p><b>TIMELINE</b></p> <p><input type="checkbox"/> We would highlight the difficulty for both the European Commission and regulator to draft Delegated Acts or Guidelines within the time-span required to enable the industry to prepare implementation (for example the outstanding issues with regard to PRIIPs). The Implementing Measures should come as soon as possible to enable the industry to carry out implementation.</p>
14.	Eurosif	General Comments	<p>Eurosif has been a very strong advocate of the inclusion of E and S consideration for retail products since its inception. In 2004, Eurosif developed its Transparency Guidelines for the retail sector, drafted in order to maintain and increase consumer confidence in this dynamic and high growth area. The pan-European effort, developed with the support of the European Commission, was the result of a multi-stakeholder consultation that incorporated the views of the financial services community, research groups, NGOs, trade unions and others. To date, the Transparency Code represents the 'mother framework' for labels and standards in the SRI (Sustainable and Responsible Investment) space and it has been transposed in France (2010) and Belgium (2013) by the respective Asset Management associations as a minimum requirement for SRI products. Today, over 700 funds are registered under the Code denomination.</p> <p>Eurosif considers PRIIPs as a powerful instrument for raising awareness amongst retail investors on Environmental and Social considerations in their investments through funds and insurance products. Article 8 (4) represents the right opportunity for mainstreaming SRI and giving easier access to both a growing retail market and the sustainable financial products. According to the Eurosif SRI Study 2016, the European retail market for SRI grew to 22% from 3% over the last two years.</p> <p>The European regulators are keen on giving a stronger, more sustainable dimension to the financial system through the Capital Markets Union. The High Level Group on Sustainable Finance set up by DG Fisma is a clear example of a willingness on the side of regulators to define the crucial elements around ESG (Environmental, Social and Governance criteria) and sustainability issues, and embed them more into European capital markets. This, together with few other crucial initiatives and directives have highly contributed to build momentum around SRI and definitions of issues such as labels, rating,</p>

			<p>benchmarks and reporting. For this reason, ESG has become, mostly in the last 2 years (IORPS, Non-financial Reporting Directive, Shareholder Rights Directive, CMU) the conventional denomination for sustainability criteria. We would therefore strongly suggest regulators reformulate EOS into ESG to ensure that PRIIPs maintains a coherent narrative in this sense.</p>
15.	Federation of European Securities Exchanges (FESE)	General Comments	<p><b>Introduction</b></p> <p>The Federation of European Securities Exchanges (FESE) represents 36 exchanges in equities, bonds, derivatives and commodities through 20 Full Members from 29 countries, as well as 1 Affiliate Member and 1 Observer Member. FESE represents public Regulated Markets (RMs), which provide both institutional and retail investors with transparent and neutral price-formation.</p> <p>At the end of 2015, FESE members had 9,201 companies listed on their markets, of which 6% are foreign companies contributing towards the European integration and providing broad and liquid access to Europe’s capital markets. Many of our members also organise specialised markets that allow small and medium sized companies across Europe to access the capital markets; 1,299 companies were listed in these specialised markets/segments in equity, increasing choice for investors and issuers. Through their RM and MTF operations, FESE members are keen to support the European Commission’s objective of creating a single market in capital markets.</p> <p>FESE is registered in the European Union Transparency Register with number 71488206456-23.</p> <p><b>Comments</b></p> <p>FESE welcomes the opportunity to respond to the ESAs joint consultation on ‘PRIIPs with environmental or social objectives’.</p>

			<p>In our response, we wish to address the scope of these additional requirements specifically with respect to exchange traded derivatives (ETDs), such as options and futures that are traded on Regulated Markets. According to Article 8(3)(2)(c) of the PRIIPS Regulation, it appears that the KID should contain a section explaining its objectives and the means for achieving them, including, where applicable, specific environmental or social objectives targeted by the product.</p> <p>It is important to note that ETDs always follow an underlying and that the decision to introduce an option or a future is based on a number of factors, for instance:</p> <ul style="list-style-type: none"> <li>(i) the liquidity in the underlying,</li> <li>(ii) market needs, and/or</li> <li>(iii) hedging needs.</li> </ul> <p>The ETD that is launched does not specifically target any investment goal such as an environmental or social objective.</p> <p>It may occur that if an option or a future is launched on an underlying (e.g. share or index) that has these elements incorporated, it could technically – but unintentionally – also be considered as having an EOS objective. This, however is not a specific EOS targeted choice, nor is the product offered with this element being marketed in any way.</p> <p>It is for these reasons (i.e. the EOS objective is not embedded in the derivative, it is not intended to follow the objective per se, nor is it marketed or positioned in any way making notion of the EOS objective) that FESE assumes that these additional requirements do not apply to ETDs.</p>
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			We would appreciate confirmation of this view by the joint regulators.
16.	German Banking Industry Committee	General Comments	<p>The German Banking Industry Committee is the joint committee operated by the central associations of the German banking industry. These associations are the Bundesverband der Deutschen Volksbanken und Raiffeisenbanken (BVR), for the cooperative banks, the Bundesverband deutscher Banken (BdB), for the private commercial banks, the Bundesverband Öffentlicher Banken Deutschlands (VÖB), for the public-sector banks, the Deutscher Sparkassen- und Giroverband (DSGV), for the savings banks finance group, and the Verband deutscher Pfandbriefbanken (vdp), for the Pfandbrief banks. Collectively, they represent more than 1,700 banks.</p> <p>The German Banking Industry welcomes the initiative to make sustainable products recognizable for investors by means of specific additional information and to point out the differences. Here, we understand TA 1 in such a way that a manufacturer must meet the requirements for an EOS PRIIP at the time the KID is created as soon as the manufacturer names a PRIIP in the KID as EOS PRIIP. If the manufacturer does not name a PRIIP as an EOS PRIIP only the general requirements of the PRIIP Regulation and the supplementary Delegated Regulation remain applicable. It should therefore be clarified that it is up to the manufacturers whether to identify a product as an EOS-PRIIP or not.</p> <p>We are of the opinion that the proposed regulations will discriminate against sustainable PRIIPs in relation to conventional PRIIPs, thereby adversely affecting the market for sustainable investment. The additional requirements for EOS (RI) funds (“Environmental or social” or “Socially Responsible Investment”) named contradict the idea of a harmonization of UCITS and do not lead to comparability and thus to consumer-friendly design. We also oppose the extension of the application of the Product Governance requirements of Directive 2014/65 (MiFID II), going beyond the target market requirements, to EOS PRIIPs, which are not subject to MiFID II, since the product governance requirements resulting from ( or according to) MiFID II are not intended exclusively for these manufacturers (e.g. financial investment management companies issuing investment funds) (TA 2). Moreover, UCITS funds / AIFM are already sufficiently regulated by the requirements of the AIFM Directive and the UCITS Directive. Unequal treatment within the product groups (for example UCITS</p>

		<p>funds / AIFMs) due to the property as EOS-PRIIP is neither appropriate nor justified.</p> <p>In the interests of clarity, we would like to point out that it must be ensured that the rules relate solely to EOS PRIIPs and, for example, UCITS and AIF will not automatically become EOS PRIIPs, solely because of the fact that references to individual ESG (“Environmental, Social and Governance”) consequences are included in legal documents (for example future regulations on climate indicators or similar). The additional information – which is to be welcomed – should not lead to supplementary documents in addition to the sales documents pursuant to UCITS / AIFMD and the basic information sheet (KID) pursuant to the PRIIPs Regulation. These supplementary documents would lead to a disadvantage in the consulting and selling processes compared to other funds / PRIIPs, and thus to the offering of EOS-PRIIPs, and moreover would not lead to any greater transparency for customers. Therefore, in our opinion, a general reference to ESG objectives in the sales prospect or in the KID with links to websites or other sources of information is expedient. To this extent we welcome the approach (TA 5) of the publication of additional information in the Internet and explicitly declare ourselves in favour.</p> <p>However, we would also like to point out that these rules only apply to EOS PRIIPs. The innovations would not have any effect on other products which are not subject to the PRIIPs Regulation, but which can also be designed as sustainable products, which would result in unequal treatment in this respect too.</p> <p>We also suggest that the EOS-PRIIP concept be reconsidered. ESG terminology (Ecological-Social-Governance) is becoming increasingly established in the market for sustainable and responsible investment (SRI), although there is likewise no uniform perception here. The introduction of a new terminology (EOS) would possibly lead to the confusion of investors, and at any rate not to the promotion of a uniform concept of sustainable investment products.</p> <p>Furthermore, the consultation does not adequately take into account the specific characteristics of “passive investment products” (structured securities). Structured products that relate to indices or</p>
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			<p>fixed baskets have de facto a “static” component that is outside the influence of the manufacturer. This makes an active investment process impossible. For this reason these products should be excluded from the proposed requirements in the final RTS. At best, the manufacturer can only point out in the relevant information documents that such a product can only meet the EOS objectives in accordance with its product structure.</p>
17.	German Insurance Association	General Comments	<p>The GDV welcomes that manufacturers claiming a PRIIP to be targeting certain environmental or social objectives (hereafter: EOS PRIIP) should establish an investment strategy, that is consistent with the EOS objectives claimed in the KID of the EOS PRIIP.</p> <p>The German insurers believe that private capital is important in the development of an environmentally sustainable and socially responsible economy. Any rules on investment products with EOS objectives should, therefore, provide adequate protection to retail investors while avoiding excessive administrative requirements which would significantly raise costs and, therefore, make the respective products unattractive to investors and manufacturers alike. Otherwise the consequence would be lower investments of insurance undertakings in respective EOS assets. In our view, the current proposals fail in their aim to foster EOS objectives.</p> <p>Technical advice should comply with the legal basis of Article 8(4)</p> <p>First, as stressed by the European Commission in its request for advice, the delegated acts should remain within the confines, which are explicitly stipulated by the level 1 text. The proposals of the consultation paper on the establishment and disclosure of an investment policy statement (IPS) as well as the regular review and periodic information obligations exceed the legal basis of Article 8 (4) of the PRIIP Regulation by far.</p> <p>A compulsory provision of additional information would go beyond the scope of the PRIIPs Regulation</p> <p>Second, the PRIIP Regulation provides for the pre-contractual provision of the information contained in Article 8 in the form of the KID. In this respect, the legal basis in Article 8 (4) PRIIPs Regulation aims to ensure the consistent and meaningful application of the provision in Article 8 (3) (c) (i) PRIIPs</p>

			<p>Regulation. The introduction of the IPS as additional information obligations outside the KID, however, would not be covered by this mandate.</p> <p>Ongoing communication should be left at manufacturers' discretion</p> <p>Third, regular information requirements vis-à-vis retail investors with regard to the outcome of the annual reviews (Technical Advice 7) are not covered by Art. 8 (4) PRIIP Regulation. The level 1 text does not introduce periodic information obligations for manufacturers. Instead, it should be left at the discretion of the manufacturers how they communicate the achievement of EOS objectives.</p>
18.	Insurance Europe	General Comments	<p>Insurance Europe welcomes that manufacturers who state that a PRIIP is targeting certain environmental or social objectives (hereafter: EOS PRIIP), should establish an investment strategy that is consistent with the EOS objectives disclosed in the KID of the EOS PRIIP.</p> <p>To foster investments in EOS PRIIPs, any rules on investment products with EOS objectives should provide adequate protection to retail investors while avoiding unnecessary or excessive regulatory burdens.</p> <p>Insurance Europe supports the ESAs' view that existing product oversight and governance (POG) principles are sufficient for the purposes of sound regulation of EOS PRIIPs. The current legal framework, including the POG requirements under IDD/MiFID 2, should not be supplemented with new and specific requirements for EOS PRIIPs unless the ESAs can demonstrate a clear need for additional rules, while keeping in mind that these could significantly raise costs and make the respective products unattractive to investors and manufacturers, resulting in lower investments in EOS assets.</p> <p>It should however be clear that similar rules in this regard should apply to all providers of EOS PRIIPs, including those who are not subject to POG rules under IDD or MiFID 2. Otherwise, the KID statements on EOS objectives may not be equally reliable for all PRIIPs and consumers' trust in the information in the KID may suffer.</p>

			<p>In our view, the technical advice fails to foster EOS objectives. As stressed by the European Commission in its request for advice, the delegated acts should remain within the confines which are explicitly stipulated by the level 1 text. The following proposals seem to exceed the legal basis of Article 8 (4) of the PRIIPs Regulation:</p> <ul style="list-style-type: none"><li><input type="checkbox"/> the draft technical advice explains that it is not intended to create an additional disclosure document (page 20). However, insurers are not required to publish a prospectus or similar document for their products. With regard to insurance-based investment products, Technical Advice 4 and 5 would therefore introduce a new pre-contractual information document, which is not provided for in the level 1 text. Therefore, the Technical Advice should be amended to clearly state that existing documents can be amended to include the IPS.</li><li><input type="checkbox"/> the regular information requirements vis-à-vis retail investors with regard to the outcome of the annual reviews (Technical Advice 7) are not covered by Article 8(4) of the PRIIPs Regulation. The level 1 text does not introduce periodic information obligations for manufacturers. Furthermore, such requirements would go beyond the POG procedures under the IDD, where there is no obligation to annually review the product or inform the customers about the outcomes of these reviews;</li></ul> <p>The ESAs should be aware that there are different types of insurers that pursue EOS objectives in different ways (e.g. either on a global or on a single PRIIP level).</p> <p>Furthermore, Insurance Europe would appreciate the clarification of the following provision: “The establishment of an investment policy statement (IPS) specifying in detail the scope of the EOS objectives that are being targeted as well as the constraints, for example, in terms of risk/return, time horizon, liquidity, the retail investor will have to accept to meet these objectives” (p. 8-9 TA). It should be acknowledged that there is not always a correlation between EOS objectives and the constraints. Thus, the possible constraints should be evaluated at the level of the concrete assets.</p>
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			<p>Insurance Europe wishes to remark that as indirect effects of the investments should be considered (see paragraph 19), all PRIIPs considered for the purposes of this consultation could very well fulfil both environmental and social objectives. This should be clarified in the Technical Advice.</p> <p>The ESAs should take into consideration the short implementation time for the financial sector. The proposals require, inter alia, new information disclosures and adaptations of current IT systems. The proposals should therefore aim at a practical and smooth implementation, avoiding any unnecessary administrative burdens, in order to truly foster EOS investments.</p>
19.	Joost Mulder (individual)	General Comments	This is a personal response to the consultation given my previous professional involvement in the Level 1 process on PRIIPs.
20.	Lieve Lowet, consumer of EOS PRIIPs	General Comments	These comments are my personal comments as a consumer/retail investor in EOS PRIIPs, as the replies to these questions have not been inspired, nor seen or be discussed or approved by any other party and are the sole responsibility of the author.
21.	London Stock Exchange Group	General Comments	<p>London Stock Exchange Group (LSEG) welcomes the opportunity to take part in this consultation because:</p> <ol style="list-style-type: none"> <li>1. LSEG have underscored the importance of ESG disclosure for underlying PRIIPs assets as specified in our ESG guidance for issuers, and LSEG believe that the benefits of ESG disclosure should be felt more strongly at retail investor level and should not be lost along the investment chain, in consistence with PRIIPs primary and secondary legislation;</li> <li>2. LSEG have created a framework for green bond listings (another key PRIIPs underlying asset) both in the UK and Italy and LSEG believe this constitutes good market practice EU Regulation should build on;</li> <li>3. As providers of ESG and LCE (Low Carbon Economy) analytics and indexes through FTSE Russell, LSEG make available tools that enable good EOS PRIIP product governance.</li> </ol>

22.	Mirova	General Comments	<p>Retail investors should be able to understand what do the EOS objectives refer to concretely. Getting into the technical details of all different shades of SRI may prove tedious and unclear to retail investors. In order to provide clear, simple information and to guarantee a certain level of quality to retail investors, we therefore recommend the implementation of labels at the European level for PRIIPs and for other investment products. However, the main stakes should be explained in a simple manner in the KID, so that retail investors understand whether the PRIIP product’s investment strategy is related to :</p> <ul style="list-style-type: none"> <li>- Merely minimizing ESG risks associated with investment processes (i.e implementing procedures to monitor that no major ESG risks may impact the performance of invested projects and corporates); this would correspond to the French SRI label;</li> <li>- And / or contributing to finance the transition to a sustainable economy through impact-oriented investment strategies that seek to invest in environmental and social added value; this would correspond to the French TEEC label dedicated to finance the energy and ecological transition.</li> </ul>
23.	OP Financial Group	General Comments	<p>OP Financial Group is one of the biggest providers of financial products with environmental or social objectives in Finland. We welcome the the Joint Consultation Paper on PRIIPs with environmental or social objectives.</p>
24.	Schroder Investment Management Ltd	General Comments	<p>We disagree with the Joint Committee’s gap analysis and believe it is incomplete.</p> <p>The European Commission asked in its request for technical advice the following:</p> <p>In giving its advice, the joint Committee will consider the sectoral regulation that applies to PRIIPs manufacturers. In particular the Joint Committee will consider the product governance requirements and validation procedures set out in such legislation and whether it is adequate to ensure the disclosed environmental and social objectives are met.</p>

			<p>The Gap analysis table is limited to product governance rules with no attempt to consider validation procedures which, when included, change the nature of the gap analysis and therefore the proposed technical advice.</p> <p>To correct this error there should be a heading “Product Validation Procedures” inserted into 3.4 Gap Analysis</p> <p>It should list all sectoral legislation where there is such validation procedures relating to products.</p> <p>For UCITS funds, at a minimum, the table should then makes specific reference to</p> <ul style="list-style-type: none"> <li><input type="checkbox"/> UCITS Directive Article 4, last paragraph – a UCITS should not be authorised if the competent authority has doubts about the manager (“or are not sufficiently experienced also in relation to the type of UCITS to be managed).</li> <li><input type="checkbox"/> UCITS Directive Article 5(2) the role of the competent authority in authorising (validating) the UCITS – i.e. direct supervision/regulation of the product by the regulator in UCITS. That authorisation process involves approving the fund rules/prospectus meaning the following are also particularly relevant</li> <li><input type="checkbox"/> UCITS Annex A Schedule A (requirements of the prospectus) paragraph 1,15 (description of the fund’s investment objectives)</li> <li><input type="checkbox"/> UCITS Annex A Schedule A paragraph 5.2 Profile of the typical investor for whom the UCITS is designed.</li> </ul> <p>For AIFM there is no validation of the product. However, the ESAs suggest in section 2 of the CP (Structure of the Consultation Paper) that the approach is developed starting from the perspective of the retail investor. The AIFM Directive is aimed at professional investors but these may be marketed</p>
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			<p>to retail investors (Article 43 AIFMD). There is a strong argument that retail AIFs which have been product validated (authorised) as per a UCITS fund should be treated, in terms of these guidelines, akin to a UCITS fund.</p> <p>In terms of the gap analysis undertaken (the Comparison Table), the table headed "Product Governance Rules" refers to UCITS legislation via MiFID article 9.3 limitations (in the "responsibilities if the process: the management body"); Level 2 Directive 43/2010/EC Article 4 (in "General governance and organisational requirements") and Article 23 (in the "Development of an investment strategy" section). The following amendments should be made:</p> <ul style="list-style-type: none"> <li><input type="checkbox"/> Level 2 Directive Article 23 should be split into the relevant headings as listed under the table, specifically: <ul style="list-style-type: none"> <li><input type="checkbox"/> Article 23 (2) is relevant to the "Development of an investment strategy" section in that the firm should ensure it has adequate knowledge of EOS before it produces the product.</li> <li><input type="checkbox"/> Article 23 (3) is relevant to ongoing monitoring ("Development and operation of processes, systems and controls to ensure the investment strategy is properly implemented" section).</li> </ul> </li> <li><input type="checkbox"/> In the section on ongoing monitoring reference should be made to: <ul style="list-style-type: none"> <li><input type="checkbox"/> UCITS Directive Article 12.1- as it puts a duty on Member States to have "prudential rules which management companies authorised in that Member State, with regard to the activities of management of UCITS authorised according to this directive, shall observe at all times" and which as paragraph (a) refers to "and that the assets of the UCITS managed by the management company are invested according to the fund rules or the instrument of incorporation and the legal provisions in force".</li> </ul> </li> </ul>
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			<p>o Level 2 delegated directive Article 9.2. (b)(d) and (e) which refers respectively to overseeing approval of investment strategies and verifying compliance on a periodic basis..</p> <p>There is no reference to the role of the UCITS or AIFM depositary. Both Directives place a requirement on the depositary (UCITS Article 22. 3(c)) and AIFMD (Article 21 9 (c)) to carry out the instructions of the management company unless they conflict with the fund rules. This is an additional level of monitoring in that if a fund has a specific investment objective of EOS investments but the manager clearly invests outside this scope, there is a duty on the depositary to reject that deal. This is an additional level of protection and should be included in the ongoing monitoring part of the table.</p> <p>UCITS articles 68 &amp; 69, 72, 73 and 74 are also relevant with regard ongoing monitoring and auditor sign off of annual reports.</p> <p>If the gap analysis is amended in this way we suggest that the combination of validation requirements and product governance rules for UCITS (and equivalent retail AIFs) mean that the existing EU legislation for such products is already adequate and no additional measures are needed as no shortfall is identified.</p> <p>Technical Advice 2 should therefore be amended to provide a carve-out for UCITS and retail AIFs subject to UCITS product validation processes.</p>
25.	sriServices	General Comments	<p>This is a welcome paper and in line with what I have been calling for for many years during my various roles; as SRI Marketing Manager at Friends Provident (who launched the first retail ethical fund in 1984), as UKSIF Director and Chair of their 'Retail Revolution' programme, and (currently) as an independent consultant and provider of information through <a href="http://www.sriServices.co.uk">www.sriServices.co.uk</a> and <a href="http://www.FundEcoMarket.co.uk">www.FundEcoMarket.co.uk</a> .</p>

			<p>I have been involved in retail sustainable, responsible and ethical investment in the UK since 1991 – operating full time in this area since 1996. Unlike some of the groups you have drawn information from my area of work is ‘retail only’ – primarily working with the (UK) retail financial advisory community.</p> <p>Our free to use retail SRI (EOS) fund database tool <a href="http://www.FundEcoMarket.co.uk">www.FundEcoMarket.co.uk</a> was largely set up to address the issues in this paper – drawing on the fact that greater openness is required in order to help individual (retail) investors find appropriate investment options.</p> <p>The ‘SRI Styles’ segmentation - shown as a filter option on this tool and explained in the ‘Help’ area of Fund EcoMarket) aim to explain core strategies and fund objectives and so make them easier to understand. These are expressed in terms intended solely for retail investors and advisers and so avoid industry jargon as far as possible. Additional detail is included via filter and text.</p> <p>This tool is supported by number of leading UK and European SRI (EOS) fund managers – Alliance Trust Investment/Liontrust, Sarasin &amp; Partners, Rathbones, Pictet, Triodos and Quilter Cheviot. Additional information and support is also contributed by other fund managers.</p> <p>Suggested improvements to this paper are:</p> <ol style="list-style-type: none"> <li>1. Fund managers’ ability to communicate with individual investors should be considered. Many fund managers have limited direct relationships with individual investors. This paper should therefore include reference to the role of distributors such as fund platforms, discretionary fund managers and financial advisers (particularly independent advisers).</li> <li>2. The term EOS (Environmental or Social Objectives) is insufficient as there is no reference to ‘ethics/personal values’ and because the word ‘objectives’ represents a risk. See 3 &amp; 4 below.</li> </ol>
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		<p>3. There should be reference to 'ethics' and/or 'personal values' as these are at the heart of many individual investors' requirements. In retail 'ethical issues' matter to many people as such options are frequently an extension of other lifestyle choices (eg not smoking, being a vegetarian or following a faith) . There is of course overlap between these areas – however reference to 'ethics' would be helpful to fund managers, intermediaries and individual investors. (You could consider using the term 'SEE' (Social, Ethical and Environmental) or similar for the retail market. The references to environmental and social issues in this paper reflect the institutional bias of those you have consulted with in my view).</p> <p>4. I recommend you replace the word 'objective' with the word 'strategy' or 'aims'. Having 'objectives' implies the ability to measure specific outcomes. Whilst this may be a useful ideal, in the context of many investments of this kind this risks overstating what fund managers aim to do ('intentionality') – or are able to do. Reasons include: a) fund managers do not wholly own investee companies and therefore can not dictate business practices, emissions etc. Under current legislation fund managers can not therefore be held responsible for outcomes – only buy and sell decisions b) company strategies change – they make acquisitions, sell divisions and change direction. Fund managers need review processes in place to deal with such changes but their communication of them must not imply their strategies are instantaneous - ie 'black or white' or 'binary' - as doing so would mislead investors and lead to justifiable complaints c) in practice many EOS funds have strategies, aims and policies – typically made up of themes and screening criteria. They may have 'objectives' also - but these are not necessarily the primary purpose of a fund.</p> <p>5. There should be a greater recognition in this paper (and subsequent rules) regarding the context in which investors operate. For example - investors are at the heart of the challenges relating to climate change and have an albeit somewhat indirect impact by either reinforcing the status quo (by focusing on short term financial issues only whilst overlooking wide issues) or instead chose to try to help address related challenges through 'EOS/sustainability aware' investment decision making (alongside financial imperatives) . Similarly – they can help incentivise companies to adhere to 'best practice' or encourage a 'race to the bottom' with regard to social issues such as employment practices – through investment decision making. This context should be brought to consumers attention in an intelligent and balanced fashion (ie not overstated).</p> <p>6. Given the potential for wider societal benefits the role of regulators should be to facilitate greater access, awareness and trust in investment options that can help to address social and</p>
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			<p>environmental challenges - whether a person invests directly, via an intermediary or via other distribution channel. This would align with - for example - COP21 and the UN Sustainable Development Goals.</p> <p>7. All KID's and IPS's should be required to state whether or not they apply EOS strategies – and the degree to which major issues of this kind are factored into investment decision making. Disclosing that non EOS (or 'SRI') options pay little (if any) attention to environmental, social and ethical issues would highlight the additional work carried out within EOS funds and be useful informaton for many investors who would otherwise be unaware that one fund differs from another. If these rules only apply to EOS options this would put them at a competitive disadvantage because of the cost implications of writing such statements. It would also lack context as investors would not be able to compare EOS options with other 'conventional' options – as there would be no stated strategy to compare against. (All responses should be backed up with additional information.)</p> <p>8. The UK retail 'screened and themed' retail fund market totals around £15bn (source EIRIS 2015). Current IA figures show that 'EOS' OEIC inflows represent c1% of total UK retail fund inflows. As such the strength of this market should not be overstated. So, although interest appears to be growing regulators should be careful not to overestimate the retail fund management community's commitment to this relatively small market. Although this area is relatively vibrant in the institutional and pensions markets (that most of your data sources are more familiar with) the reality is that the retail market is far less strong and not particulary well understood or supported. Care needs to be taken to ensure rules encourage (rather than disincentivise) additional involvement. Improving consumer awareness and trust would be valuable contributions to this.</p> <p>9. Regulators should aim to balance increasing fund manager participation in this market (because of its potential for wider societal benefits) whilst preventing discouraging managers from overstating what an individual fund can achieve. This means not driving up relative costs and allowing diversity of strategies and processes to suit existing structures. This also includes the need to recognise 'middle ground' investment options that are (eg) neither invested significantly in clean energy or invested in major polluters – but instead invest in largely 'neutral' organisations.</p> <p>10. If these new rules are too onerous funds may delist as 'EOS' (or similar) which would be to the detriment of individual investors.</p> <p>11. I agree that it is best to integrate EOS disclosure requirements into existing client literature.</p>
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			<p>12. Terms such as 'best in class' should be used with caution in the retail market as fund manager strategies vary. These are better described through text explaining these strategies. <a href="http://www.FundEcoMarket.co.uk">www.FundEcoMarket.co.uk</a> (a retail fund hub) uses the term 'Ethically Balanced' to explain fund options where fund managers consider the 'pros and cons' of different company strategies. This differentiates such funds from options where strategies are clearer – which Fund EcoMarket refers to as 'Negative Ethical' or 'Sustainability', 'Environmental' or 'Social' Themed. (Faith Based options, ESG integration and Responsible Ownership strategies are also listed.)</p> <p>13. Please be aware the short timescale of this consultation has made it impossible for me to consider this document in detail. I would however be happy to discuss further if required e: <a href="mailto:Julia@sriServices.co.uk">Julia@sriServices.co.uk</a>.</p>
26.	Swedish Investment Fund Association (SIFA)	General Comments	<p>The Swedish Investment Fund Association (SIFA) is a member of EFAMA and fully endorse the reply sent by EFAMA. However, SIFA would like to stress some comments and provide a national perspective on the consultation.</p> <p>On The Swedish fund market a majority of the fund managers have some kind of ESG policy. As of last year all members of the Swedish Investment Fund Association produce an annual sustainability review that describes how the fund management company works with sustainability issues and which includes concrete examples of how this work has been conducted in practice in the preceding year. Since two thirds of the members of the association is also signatories of the PRI the awareness of ESG investments and ESG perspectives is high.</p> <p>It should be further highlighted that UCITS funds are exempted from the Priips regulation until the end of 2019. However, explaining an ESG approach to the investments of a fund in the key investor information document is nothing new. It is already considered appropriate to explain such an approach under the heading Objectives and Investment Policy if such an approach is part of the fundamental policy or the legal documents of the fund. A general comment is that the same should apply to the Priips KID – those investment products with an ESG or EOS objective in their legal documentation should highlight this in their Priips KID.</p>



JOINT COMMITTEE OF THE EUROPEAN SUPERVISORY AUTHORITIES

			<p>SIFA is questioning the GAP analysis performed by ESA:s to show where there are discrepancies between the different legal acts. UICTS funds and AIF:s are not and should not be regulated by the MiFID II. That does not mean that sectoral legislation does not cover the same objectives as MiFID. Sectoral legislation has dealt with the same issues in different ways. EFAMA has shown where there are rules covering the same aspects as the product governance rules. SIFA is of the opinion that the product governance rules should not be seen as a prerequisite for EOS PRIIPs.</p>
27.	The Norwegian Consumer Council	General Comments	<p>The Norwegian Consumer Council (NCC) welcome the initiative from the European Commission to specify the details of the procedures to establish whether a PRIIP targets specific environmental or social objectives, and support the framework laid out by the Joint Committee of the European Supervisory Authorities (ESAs) in the consultation paper. There is a growing interest on environmental and social issues among consumers. Independent research (FIVH 2015) done on domestic banks show that 75 % of the banks experience an increased attention on ethical and or sustainable management of funds. Introducing EOS PRIIPS would meet the growing attention with comparable and trustworthy data for decision-making.</p>
28.	WWF European Policy Office	General Comments	<p>WWF would recommend the ESAs and the EC to use the term environmental, social and governance (ESG) factors/criteria as well as objectives, in order to be consistent with other EU financial legislations like IORPs II, Shareholder Rights Directive and Non-financial Reporting Directive.</p> <p>The investment rationale for ESG integration is that some so-called 'extra-financial' factors are 'material' to corporate and investment performance, especially over a medium- to long-term time horizon. WWF advocates for the integration of material ESG factors in the investment decision-making processes and throughout the whole investment chain, in order to contribute to a sustainable national, EU and global financial system. Responsible investment involves integrating material ESG information as part of investment decision-making, to ensure that all relevant factors are accounted for when assessing risk and return.</p> <p>Taking into account the PRIIPs Regulation's objectives - ensure comparability between similar products, improve transparency and increase investors confidence, and to harmonise the framework at EU level, the technical advice and legislative text need to be more ambitious regarding disclosure of</p>

			ESG factors.
29.	2 degree Investing Initiative	Question 1 (p6)	<p>In order to effectively ensure product differentiation, reduce uncertainty, and increase homogeneity in the presentation of KIDs, we encourage an integration of the requirement, that all PRIIPs’ KIDs comment on whether or not they integrate EOS in their investment beliefs and strategies. This is suggested through the Consultation document, but not explicitly referenced in the Technical Advice. Such requirement is consistent with the environment, social, and governance reporting obligations of all pension funds. For example, under the IORP II Directive, Art. 173 of the French Energy Transition Law 2015 requiring mandatory ESG disclosure by institutional investors, and Art. 144 of the “Versicherungsaufsichtsgesetz” (Insurance Supervision Act) in Germany, where providers of pension plans are required to inform potential users, whether or not, ecological criteria are considered in investment decisions.</p> <p>In addition, the policy requirements should provide further guidance as to the statement in bullet #8, following technical advice 3 (p. 22), where the document suggests that “targeting EOS objectives implies that the money invested in the PRIIP is effectively and predominantly (highlight 2ii) employed for the achievement of the stated EOS objectives. For example, a product aligned with the MSCI Low Carbon Leaders Index and marketed as a low-carbon product, adjusts less than 5% of the portfolio relative to the MSCI World index and optimizes with regard to sector constraints. Here, the funds are not predominantly used for environmental purposes. Further guidance on the integration of environmental and social issues in the analysis across a significant majority (e.g 75%), could help clarify this question and reduce uncertainty.</p> <p>The Investment Policy Statement as outlined in Technical Advice #4 should make reference to quantitative targets, indicators, and / or benchmarks used to ensure a more rigorous communication on the implementation and impact of the environmental and social objectives on the PRIIPs management. Such quantitative targets should, where possible, make specific reference to EU policy goals, as defined in Art. 3 of the Maastricht Treaty and / or the United Nations Sustainable Development Goals. This ensures both greater certainty as to the scope of what qualifies as environmental and social (both issues covered under the Sustainable Development Goals) and the level of ambition in execution. This does not imply instituting further constraints as to outcomes, but focuses</p>

			on the specific process-oriented issues of –where possible– integrating quantitative targets, constraints in the investment policy and –where possible– referencing these in the context of the Sustainable Development goals (including e.g. the global objective of limiting global warming to well below 2°C).
30.	ALFI Association of the Luxembourg Fund Industry	Question 1 (p6)	No.
31.	AMAFI	Question 1 (p6)	<p>As introduced above, there are, in AMAFI’s view, different approaches for a PRIIP to be an EOS PRIIP.</p> <p>For example, and based on the 7 approaches defined by Eurosif (best-in-class, engagement and voting, ESG integration, exclusions, impact investing, norms-based screenings, sustainability themed); a PRIIP could be considered as an EOS PRIIP according to several approaches. For example, recognition of PRIIPs as EOS PRIIP where the selection of underlying assets is made on the basis of an exclusion of assets that do not meet ESG features is also a way for developing EOS products.</p> <p>Likewise, a PRIIP should be considered as an EOS PRIIP even where its investment objectives are not primarily or exclusively an ESG investment objective. For instance, a structured product that tracks performance of a basket of shares within energy sector selected on the basis of an environmental or green ‘rating’. One investment objective of such product is return of initial capital invested based on performance of the underlying shares. But another objective of the product is, as well, to promote environmental performance. Therefore, even if the product has not a direct or unique ESG investment objective, it does fit ESG purpose and should be considered as such as an EOS product.</p> <p>That is why EOS manufacturers have to be transparent in their EOS policy about those differences of approaches so investors know how the EOS PRIIP meet ESG criteria.</p>

			<p>Such transparency could notably cover:</p> <ul style="list-style-type: none"> <li><input type="checkbox"/> Disclosure of ESG sources;</li> <li><input type="checkbox"/> Disclosure of approaches and methodologies used to declare the PRIIP as an EOS PRIIP.</li> </ul>
32.	ANASF	Question 1 (p6)	<p>We emphasise the need for a standardized methodology in order to enable investors to understand with no uncertainty if an investment is an EOS PRIIP and identify its objectives. The lack of a common classification methodology is, indeed, the basic obstacle to the development of EOS investments. a numerical scale ranging from 1 to 7 and coloured from light to dark green, whereby the more direct the impact is, the higher the indicator. We also consider the opportunity to introduce an indicator (numerical scale ranging from 1 to 7) to assess the EOS impact of each EOS PRIIP (cf. our comment on Technical Advice 6).</p> <p>Concerning the promotion of EOS investments, we also consider that:</p> <ul style="list-style-type: none"> <li><input type="checkbox"/> EOS investments may help restore investor trust and market confidence;</li> <li><input type="checkbox"/> mutual funds, pension funds and personal pension products are particularly suitable for EOS investments, in light of their search for risk diversification and long-term approach.</li> </ul>
33.	Association Française de la Gestion financière - A	Question 1 (p6)	<p>No, we do not want additional policy requirements.</p> <p>Thus, IPS should be clarified. We understand that if a PRIIP has ESG objectives, it has to be briefly mentioned into the KID and that more detailed information on ESG investment policy should be given into the IPS.</p> <p>The IPS can be a separate document or described on the provider website.</p> <p>Where a prospectus is available, the IPS could be alternatively integrated into this prospectus or on the website.</p>



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			Moreover, it should be clarified what kind of ESG information should be given in a generic KID for MOPs if one or more underlying investment option has ESG objectives.
34.	Association of International Life Offices (AILO)	Question 1 (p6)	No.
35.	Aviva Investors	Question 1 (p6)	<p>Do you see the need for additional policy requirements consistent with the mandate, going beyond what is suggested in Section 4?</p> <p>There are a few considerations as to how the investment policy statement (IPS) could be used to help retail investors better understand the manufacturer’s arguments in relation to EOS (in our view ‘sustainability’) goals.</p> <p>Investor stewardship is vital to the long-term success of companies and the economy as a whole. However, demand for good stewardship is low. As fund managers, for example, our retail customers currently rarely ask how we incorporate ESG data into our investment decisions. This is in part due to a lack of financial disclosure and financial literacy amongst end-investors about how financial markets work and how they impact people’s pensions and the wider world means. While institutional investor demand has grown considerably (due, in part, to the Principles for Responsible Investment) many pension trustees often lack the skills to ask for and consider such information.</p> <p>It is therefore vital that retail investors are provided with the right information about how ‘sustainable’ goals have been considered by the manufacturer, both to help them better assess the product as well as helping to educate investors about how this is being delivered by manufacturers.</p>



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			<p>We believe that another reform to consider is providing standards for “responsible investors” to give greater clarity to retail investors about what the manufacturer is doing to integrate ‘sustainability’ considerations into their investment processes. A standard would enable the customer to better compare and assess the information provided to them on ‘EOS’ goals. Such voluntary standards in other industries are commonplace – such as Fairtrade in the retail sector – but there is no equivalent for the finance industry. A kitemark should be developed to accredit standards in responsible investment – a Fairtrade for Finance – so that fund managers can demonstrate their credentials as responsible investors. Such standards would assess how well fund managers integrate ESG issues into their investment analysis, engagement and AGM voting. Investors using the SDG benchmarks above, would also find it much easier to get certified to the standards, demonstrating how these two ideas reinforce each other. The ESAs could consider how such a standard could help provide more clarity for retail investors pursuing EOS goals.</p>
36.	BVI Bundesverband Investment und Asset Management	Question 1 (p6)	<p>The most important point regarding the Technical Advice is the scope of the EOS PRIIPs framework. The legislator had the intention to provide retail investors pursuing social or environmental goals along with financial returns on their investment with comparable information (see recital 19). In other words, the idea was to consider sustainable products. This should, however, be clearly distinct from an integration of ESG factors alongside the mainstream analysis of investments in order to properly identify ESG risks and identify opportunities also with a focus on the long-term value of investments. It is decisive, that the PRIIPs requirements apply to all sustainable products, however, they should in no case apply if the asset manager decides to generally consider ESG criteria alongside the financial analysis of investments. Otherwise, we see a significant risk that the current growth of RI will be threatened. As the ESAs point out, in recent years responsible investments have grown substantially in Europe. While we believe that policy makers generally and the rules on EOS PRIIPs particularly can facilitate this development, the means of doing so should be selected cautiously. In particular, any mandatory requirements will shift the question of ESG integration from a developing approach to a mere question of compliance which would have an effect of retrogression.</p> <p>Furthermore, investors are interested in the information of asset managers integrating ESG analysis alongside the mainstream analysis of investments. Consequently, asset managers should also be</p>

			<p>allowed to be transparent without risking having to be compliant with the EOS PRIIPs requirements. The rule that a manufacturer who sets out in disclosure other than the KID or marketing information statements on social or environmental objectives has to comply with EOS PRIIPs requirement (see paragraph 2 on page 20) is not clear. First, there is no definition of marketing information statements, which causes uncertainty in which documents a statement would be allowed without application of the EOS PRIIPs rules. Secondly, the specification “where the manufacturer sets out in disclosure (...) on social and/or environmental investment objectives” is quite broad. Hence, it is unclear which kind of statements would be covered, for instance whether a statement that the asset manager integrates environmental and social governance factors alongside its mainstream analysis could already be considered as such disclosure. Consequently, we suggest clarifying this analysis as follows:</p> <p>“Where the manufacturer commits itself sets out in disclosures other than the KID or legally required marketing information statements to apply an investment strategy on social and/or environmental investment objectives, corresponding elements in the PRIIPs KID section ‘What is this product’ are mandatory according to Article 8, para 3 (ii) of the PRIIPs Regulation.”</p>
C 37.	Confidential comment	Question 1 (p6)	Confidential comment.
38.	Ecofi Investissements	Question 1 (p6)	<p>Ecofi sees the need for additional policy requirements regarding the reporting of EOS objectives. The KIDs in particular should give to clients the opportunity to understand clearly the social and environmental impact that the PRIIP would like to reach without misleading information.</p> <p>The PRIIP manufacturers who have claimed to develop a SRI strategy should have the opportunity to report properly that to the clients. The investors could in particular understand how the ESG criteria have been considered by the PRIIP manufacturers and how they are implemented in the investment strategy.</p> <p>It should be interesting to propose a minimum level of disclosure about the most important data, such as the main indicators ESG applied, the labels and a brief description of the methodology.</p>
39.	European Fund	Question 1	The most important point regarding the Technical Advice is the scope of the EOS PRIIPs framework.

	<p>and Asset Management Association (EF</p>	<p>(p6)</p>	<p>The legislator’s intention was to provide comparable information for retail investors pursuing social or environmental goals with financial returns on their investment (see recital 19 of the PRIIPS Regulation). In other words, the idea was to take into consideration sustainable products. However, this is very different from the integration of ESG factors in mainstream analysis of investments which enables the identification of ESG risks and opportunities with a focus on the long-term value of investments. It is important that the PRIIPs requirements apply to all sustainable products, however, they should in no case apply if the asset manager decides to generally consider ESG criteria alongside the financial analysis of investments. We believe this would have a negative effect on the growth of responsible investment. As highlighted in the Consultation Paper, responsible investment has grown substantially in Europe in recent years. While we believe that the rules on EOS PRIIPs can facilitate the development of responsible investment, the manner of doing so should be carefully looked at. In particular, any mandatory requirements will shift ESG integration from a rapidly developing, market-driven field to a compliance matter, thereby possibly stifling the growth of responsible investment.</p> <p>It is also important for asset managers to be transparent about the integration of ESG analysis in their mainstream analysis of investments. Investors want to have this information. The requirement that a manufacturer has to set out in disclosure other than the KID or marketing information statements on social or environmental objectives which comply with EOS PRIIPs requirement (see paragraph numbered 2 on page 20 of the Consultation Paper) is unclear. Firstly, there is no definition of marketing information statements, which causes uncertainty in relation to which documents a statement would be part of, without application of the EOS PRIIPs rules. Secondly, the specification “where the manufacturer sets out in disclosure (...) on social and/or environmental investment objectives” is quite broad. It is therefore unclear which kind of statements would be covered, including whether a statement that the asset manager integrates environmental and social governance factors alongside its mainstream analysis would be considered as such disclosure. We would suggest clarifying this analysis as follows:</p> <p>“Where the manufacturer commits itself in legally required information to apply an investment strategy on social and/or environmental investment objectives, corresponding elements in the PRIIPs KID section ‘What is this product’ are mandatory according to Article 8, para 3 (ii) of the PRIIPs Regulation.”</p>
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40.	Eurosif	Question 1 (p6)	In point 3, there is a clear reference to the need of presenting the EOS objectives as they appear in the KID, also in the IPS, as an integral part of the overall investment strategy and not just as a mere appendix, but rather with sufficient level of detail. For the sake of clarity, there needs to be an obvious link between ESG objectives and the ESG impacts. To date there is a lack of generally accepted metrics that the industry employs to determine the impacts. Reference could be made to existing impact investing sets of metrics (B Impact Assessment, PRISM, GRI, Off-Grid Energy - list not exhaustive). Nevertheless, in order to avoid overloading manufacturers and achieve a better level of comparability, emphasis should be put on the process for determining objectives rather than focusing on specific metrics. In this respect, the Transparency Code, which clearly focuses on the process relating to the portfolio construction can represent a valid framework for reporting on the approach, the process and the controls in place.
41.	FECIF	Question 1 (p6)	<p>We emphasise the need for a standardized methodology in order to enable investors to understand with no uncertainty if an investment is an EOS PRIIP and identify its objectives. The lack of a common classification methodology is, indeed, the basic obstacle to the development of EOS investments. a numerical scale ranging from 1 to 7 and coloured from light to dark green, whereby the more direct the impact is, the higher the indicator. We also consider the opportunity to introduce an indicator (numerical scale ranging from 1 to 7) to assess the EOS impact of each EOS PRIIP (cf. our comment on Technical Advice 6).</p> <p>Concerning the promotion of EOS investments, we also consider that:</p> <ul style="list-style-type: none"> <li><input type="checkbox"/> EOS investments may help restore investor trust and market confidence;</li> <li><input type="checkbox"/> Mutual funds, pension funds and personal pension products are particularly suitable for EOS investments, in light of their search for risk diversification and long-term approach.</li> </ul>
42.	Insurance Europe	Question 1 (p6)	In order to foster investments in EOS PRIIPs, any rules on investment products with EOS objectives should provide adequate protection to retail investors while avoiding unnecessary or excessive regulatory burdens.

			<p>Insurance Europe supports the ESAs' view that existing product oversight and governance (POG) principles are sufficient for the purposes of sound regulation of EOS PRIIPs. The current legal framework, including the POG requirements under IDD/MiFID 2, should not be supplemented with new and specific requirements for EOS PRIIPs unless the ESAs can demonstrate a clear need for additional rules, while keeping in mind that these could significantly raise costs and make the respective products unattractive to investors and manufacturers, resulting in lower investments in EOS assets.</p> <p>It should however be clear that similar rules in this regard should apply to all providers of EOS PRIIPs, including those who are not subject to POG rules under IDD or MiFID 2. Otherwise, the KID statements on EOS objectives may not be equally reliable for all PRIIPs and consumers' trust in the information in the KID may suffer.</p> <p>Even though different kinds of strategies are outlined in paragraph 3 and it could be a little out of the mandate, a more detailed prescription on the EOS criteria could help avoid insufficient description of EOS PRIIPs objectives as stated - for example - in the comment 18 of the technical advice 5.</p>
43.	Joost Mulder (individual)	Question 1 (p6)	<p>Yes, the policy requirements can be expanded within the mandate.</p> <p>The lack a of mandate to provide guidance on labels or moving towards a harmonized European definition of EOS (or ESG) hampers effective disclosure, and should be addressed in secondary legislation (see Q3) or be considered a priority for legislative review.</p> <p>The proposed inclusion of EOS impact in the IPS might help to prevent greenwashing, but would benefit from an explicit disclosure of the nature of underlying assets (investments or bets) beyond the asset allocation disclosure as foreseen in Technical Advice 4, as well as the correlation of those assets in terms of impact on the stated EOS objectives, which currently doesn't seem to be included in the proposed framework (Technical Advice 3). Otherwise, without such an addition, the EOS-marketed</p>

			PRIIPs might only marginally contribute to the stated EOS objectives and still be classified as EOS PRIIPs specifically targeting those objectives (but having a minimal impact).
44.	Lieve Lowet, consumer of EOS PRIIPs	Question 1 (p6)	<p>No, but I see the need for different policy requirements.</p> <p>Allow me first some preliminary remarks.</p> <ul style="list-style-type: none"> <li><input type="checkbox"/> The draft technical advice, according to the ESAs following a request of the Commission, should build on existing financial legislation. The letter of the Commission to the ESAs could not be found on the Commission's (new) website, nor on the ESAS Joint Committee website. As a result, the mandate is unfortunately not transparent.</li> <li><input type="checkbox"/> Also, it is a strange way to create a legislative framework by suggesting in a technical advice to the Commission to incorporate in a delegated act elements of guidelines which should in itself be tools to ensure common and consistent application of Union law (as the advice suggests on POG requirements). Delegated acts are not intended to be instruments to cast in stone (elements of) guidelines whether these are on product governance or not, or whether or not these guidelines go beyond the Level 1 (L1) text. This technique is even the more startling when referring to preliminary guidelines, issued before the L1 texts are finalized, or even current draft guidelines, which are not known to the consumer/retail investor who wants to reply to this consultation. Neither guidelines, nor delegated act are legislative acts and should not add to the requirements on L1. To an EOS consumer, this way of proceeding is worrying.</li> <li><input type="checkbox"/> Lastly, the suggestion by the ESAs to increase the information beyond the KID while the consultation refers to procedures used to establish whether a PRIIP targets specific EOS objectives is outside the scope of article 8,4.</li> </ul> <p>As to the question of the consultation, as a consumer/retail investor, I find that the real question the ESAs should be concerned about is : how to guarantee that consumers which want to buy an EOS PRIIP get a real EOS PRIIP?</p> <p>As an EOS PRIIP consumer/retail investor, I would like the PRIIP only to invest in companies whose activities, covered by the investment, are conducted as a minimum in conformity with all relevant standards of international law. Why is this of relevance? International law is born out of an international consensus and can be considered as a minimum way the international community wants</p>

			<p>to interact. It is a consensus about what is acceptable and what not and is aimed at peace, prosperity, human dignity, wellbeing. The stated objective of the PRIIP of targeting specific EOS objectives, hence the denomination EOS, cannot be met if manufacturers of EOS PRIIPs do not at least adhere to these minimum standards. Especially for EOS PRIIPs, I, and surely together with me many EOS consumers/retail investors, reasonably expect at least these minimum standards to be adhered to.</p> <p>Any investment with an EOS objective, carried out in disregard of those standards, would have a negative impact on consumer/retail investor confidence. How can EOS PRIIPs meet their stated EOS objective, and can be named EOS PRIIPs, if they are not at least in conformity with these international law standards? In such case the EOS denomination is misleading. Should the European institutions doubt such understanding, a consumer survey could bring clarity on this matter. After all, the purpose of an EOS PRIIP is to have a PRIIP which invests in EOS objectives as understood from the perspective of the EOS consumer/retail investor, the very one the regulation seeks to protect, and not as understood by the financial institution, the manufacturer.</p> <p>In addition, it would be harmful for businesses in case there would be allegations to have violated these standards. Such (alleged) violations may result in reputational damage, which makes reputational risk, particularly for EOS PRIIPs manufacturers, an important issue. It may also lead manufacturers to disengage from the investment because of the reputational damage it may cause.</p> <p>The reply of the ESAs suggest that the consumer/retail investor should be informed via the KID, and also via an IPS, and/or the prospectus of the (underlying) investment. All these elements should be in coherence. This makes it complicated for the consumer/retail investor. What if these elements are not in coherence? Already today there are law cases about such incoherence, where consumers/retail investors have to have deep pockets in order to make a case towards financial institutions about these 'missellings', especially when product features change throughout the life of the product.</p> <p>Therefore, the adherence to international law standards should be a minimum and be part of the procedure used to establish whether a PRIIP targets specific EOS objectives. The advice suggests to let the market free, but if there is one element which should be supervised, it is this minimum standard.</p>
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			<p>Furthermore, the overview from the Eurosif 2016 Report suggests that the overwhelming majority of responsible investing management methods is focused on two categories: the exclusion category and the norms-based screening. Together these methods count for 67% of the total strategies surveyed (with overlap). This means that norms are very important to EU consumers/retail investors. Would the introduction of clear categories to help consumers understand not be a more adequate solution to protect consumers?</p> <p>In that context it should be noted that the EU legal framework has started to consider a definition of EOS. I would like to draw the ESAs and the Commission's attention to directive 2016/2341 which states in its consideration that 'environmental, social and governance factors, as referred to in the United Nations-supported Principles for Responsible Investment, are important for the investment policy and risk management systems of IORPs'. I would argue that if these factors are relevant for the IORPs investment policy in general, there are even more relevant to EOS PRIIPs as these PRIIPs target explicitly specific environmental or social objectives.</p> <p>Also, in directive 2016/2341, Member States are obliged to require from IORPs to explicitly disclose where such factors are considered in investment decisions and how they form part of their risk management system. Thus directive 2016/2341 requires the system of governance to include consideration of environmental, social and governance factors related to investment assets in investment decisions, subject to regular internal review. Also these factors should be considered as part of the risk management system (art 21).</p> <p>Therefore, the different policy requirement I would suggest as a consumer/retail investor, is procedures to guarantee clarity about the minimum conformity of the EOS PRIIP with international law and inclusion in the KID about the different (categories of ) EOS investing management methods which the PRIIPs manufacturer uses. Directive 2016/2341 might also be a source of inspiration.</p> <p>See also further suggestions in reply to question 4.</p>
45.	London Stock Exchange Group	Question 1 (p6)	<p>While we support the recommended policy options, we believe more guidance should be provided to PRIIPs manufacturers as to how disclose information both in the „What is this product” section of the KID and in the IPS.</p> <p>In particular we recommend:</p>

			<p>1. Linking definitions of “EOS” to global standards, without being prescriptive: the manufacturer should state in the KID and IPS to which global frameworks the EOS objectives can be traced (e.g SDGs, TCFD, UN PRI, ICMA GBPs, CBI).</p> <p>2. Making a clear reference to disclosure as a key product governance principle: the manufacturer should declare through the IPS how and when disclosure of the EOS impacts of the PRIIP will take place, thus enabling the retail investor to monitor the fulfilment of the agreed EOS objectives.</p> <p>3. Broadening the scope from EOS “objectives” to EOS “objectives and considerations”: this would allow for investment strategies beyond impact investing, including ESG integration and exposure to the transition to a low carbon economy, which are also seen by investors, including retail, as portfolio risk management measures.</p>
46.	Mirova	Question 1 (p6)	In addition tot he recommendations of Section 4, the implementation of the above mentioned labels at the European level would be an efficient tool to reach the goals of the consultation. It would be a simple an efficient means to provide information and guarantees to retail investors regarding the implementation and monitoring of EOS objectives.
47.	Oberbank AG	Question 1 (p6)	Is it mandatory to make a KID for FX-forwards (OTC-Deal) ? On 18th of July 2016 the German Banking Association published a position paper. This paper says that FX Forwards and Commodity Forwards are not mandatory for the PRIIP-regulation.
48.	OP Financial Group	Question 1 (p6)	We generally support the scope of suggested policy recommendations. Existing general principles in PRIIPs provide sound basis for regulating EOS PRIIPs as well and there is no need to go beyond what has been suggested.
49.	Schroder Investment Management Ltd	Question 1 (p6)	<p>Do you see the need for additional policy requirements consistent with the mandate, going beyond what is suggested in Section 4?</p> <p>We appreciate how the Joint Committee has advocated working within existing governance mechanisms of PRIIPS and existing disclosure requirements such as prosectus and KID obligations . We understand the objective of this Joint Consultation paper is to ensure that there is strong governance for retail investors around products with “Environmental or Social Objectives” (EOS) and ensuring that “greenwashing” does not occur in this marketplace. The Joint Committee realises that</p>

			<p>the market is at a relatively early stage of its development, and do not want to stymie innovation. However, notwithstanding the mandate and wording provided by the Regulation, we would argue by using the term "EOS" the consultation runs the risk of doing this by introducing a hitherto unused term and also creating an additional layer of confusion about its definition and application.</p>
50.	sriServices	Question 1 (p6)	<p>(Q Do you see the need for additional policy requirements consistent with the mandate going beyond what is suggested in section 4.)</p> <p>This is a valuable consultation, however given the importance of social and environmental issues it would be beneficial for all KID's (Key Information Document) and IPS's (Investment Policy Statement) to state whether or not EOS issues are considered. This would make investment strategies easier for individual investors to compare and avoid discriminating against EOS options as similar costs would be incurred by all funds.</p> <p>This would also encourage greater attention to be paid to related EOS issues and raise awareness amongst individual investors. A client receiving a 'regular' KID would otherwise have no idea such options are available and would not know that their investment decisions are in any way relevant to environmental, social and other lifestyle related factors.</p> <p>This would also help shift investor focus towards longer term issues (that are aligned with investment terms) and away from shorter term factors (that are often largely irrelevant in the longer term).</p> <p>In addition greater attention needs to be paid to classifications as those used in this paper are clearly institutionally led – they do not reflect aspects individual investors understand (eg 'best in class', 'norms' etc). The segments (SRI Styles) used in <a href="http://www.FundEcoMarket.co.uk">www.FundEcoMarket.co.uk</a> are an attempt to address this – based on 25 years in retail SRI.</p>

			Also see 'General Comments' response.
51.	The Norwegian Consumer Council	Question 1 (p6)	<p>The Norwegian Consumer Council will emphasize that the finance sector has an important responsibility – as well as an opportunity – in contributing to direct capital flows towards ethical and sustainable investments.</p> <p>The objective of EOS PRIIPs must be to encourage and support investors who in addition to financial returns also want capital to work for a more sustainable world.</p>
52.	Triodos Bank NV	Question 1 (p6)	No, see our suggestions for the technical advice in Section 4, and our reply to question 4.
53.	WWF European Policy Office	Question 1 (p6)	<p>As stated in the technical advice (point 3 – page 20), 'If environmental or social (EOS) objectives of a PRIIP are presented in the KID, this should oblige the manufacturer to set these out in more detail in a corresponding IPS' – failure of Article 8c to use 'where applicable' in the legislative text as EOS objectives (ESG) should be always included in the KID.</p> <p>In addition, to be consistent with other EU private financial legislations like IORPs II or Shareholder Rights Directive, the KID should integrate ESG disclosure requirement and ESG risk assessment (impact). We stress the need for a definition of environmental, social and governance factors to make it easier to retail investors when making an investment decision and to ensure consistency with other EU private financial legislations. These would be WWF's additional policy requirements related to ESAs Technical Advice.</p>
54.	2 degree Investing Initiative	Question 2 (p6)	We do not see specific constraints associated with the measures proposed.
55.	ALFI Association of the Luxembourg Fund Industry	Question 2 (p6)	We refer to the detailed answers to advices 1 to 7.

56.	AMAFI	Question 2 (p6)	AMAFI notes that any compliance monitoring requirements for EOS objectives should be developed with due consideration to the updating frequency of the data concerning the underlying issuers and their respective jurisdictions. For example, when the available authorized sources on ESG criteria update their scoring on an annual or quarterly basis only, the compliance monitoring will have to be performed on the basis of a similar frequency. In this regard it is important to note that there is generally no real-time data available in this area.
57.	ANASF	Question 2 (p6)	Please refer to our answer to Question 4.
58.	Association Française de la Gestion financière - A	Question 2 (p6)	We do not see specific constraints regarding the measures proposed. It must be ensured that the transparency requests are not too severe because they could limit the innovation in EOS integration into PRIIPs.
59.	Association of International Life Offices (AILO)	Question 2 (p6)	Lack of a definition of what, even in broad terms, qualifies as an EOS and what does not, could potentially lead to abuse. Possibly some sort of guidance can be given without being overly prescriptive to avoid hindering innovation.
60.	Aviva Investors	Question 2 (p6)	<p>Question 2: What are in your view the constraints of the measures proposed in the technical advice with respect to effective governance and supervision?</p> <p>The Consultation Paper makes reference to the target market of the PRIIPs EOS (p18). Our belief is that no difference should be made between the target market of an EOS PRIIPs and a PRIIPs with no EOS objectives. A product should only have a different target market if it is more complex and therefore not suitable to certain investors and we haven't seen evidence that a PRIIPs with EOS goals is any more complex than a PRIIPs with no EOS objective.</p>

			The outcome of the regular reviews should be communicated only when the review identifies that the product is not performing as intended, rather than communicating the outcome of all review as currently drafted. Furthermore, product reviews are already addressed in sectorial regulation, therefore there is no need for duplicating these requirements.
61.	BVI Bundesverband Investment und Asset Management	Question 2 (p6)	We do not see specific constraints, however, we believe that the approach should be more in line with the Commission's request and the text of the PRIIPs Regulation and should be based on a thorough GAP Analysis regarding sectoral legislation (see below comment regarding Technical Advice 2).
C 62.	Confidential comment	Question 2 (p6)	Confidential comment.
63.	Ecofi Investissements	Question 2 (p6)	According to the approach of Ecofi Investissements, there are not constraints particularly relevant regarding the measures proposed. It must be ensured that the transparency requests are not too severe because they could limit the innovation in EOS integration into PRIIPs.
64.	European Fund and Asset Management Association (EF)	Question 2 (p6)	<p>We do not see specific constraints, however, we believe that the approach should be more in line with the Commission's request and the text of the PRIIPs Regulation and should be based on a thorough gap analysis regarding sectoral legislation (see general comments and below comment regarding Technical Advice 2).</p> <p>We would also like to point out that monitoring compliance with stated EOS objectives is highly dependent on the frequency with which underlying companies/countries publish data. Very often, this data is only released on an annual basis.</p>
65.	Eurosif	Question 2 (p6)	There is nevertheless, a potential for non-SRI funds to fall under this regulation, leading to further confusion for manufacturers and retail investors. Efforts should be made to ensure that this regulation drives both enhanced transparency on SRI products and mainstreaming of these investments.
66.	FECIF	Question 2 (p6)	Please refer to our answer to Question 4.

67.	Insurance Europe	Question 2 (p6)	<p>Possible constraints:</p> <ul style="list-style-type: none"> <li><input type="checkbox"/> the limited “investment-management” perspective taken by the ESAs in the advice. An insurer should be allowed to consider more aspects to defend the best interest of the customer, such as the current market situation (e.g. In terms of liquidity of the assets, their current value, ...);</li> <li><input type="checkbox"/> the advice could hamper the development of the EOS market (general comments) through a negative impact on costs/availability of EOS PRIIPs;</li> <li><input type="checkbox"/> insurers are reliant on the information that is available on the market (for example for the timing of the sales of EOS assets).</li> <li><input type="checkbox"/> the short implementation period;</li> <li><input type="checkbox"/> For EOS MOP investing directly in external asset manager EOS funds, governance and monitoring will be performed according to the asset manager’s governance and monitoring.</li> </ul>
68.	Joost Mulder (individual)	Question 2 (p6)	<p>The product’s performance on EOS factors should be reflected through future versions of the KIID, just as financial information is being updated periodically. This is even more important without a common definition of EOS, as EOS definitions evolve over time (e.g. 2009 is typically considered a watershed moment in the field of climate finance, after which a fund manager cannot claim being unaware of the EOS sensitivities of continued fossil fuel-based energy production).</p> <p>Therefore, both EOS ambitions and EOS impact need to be re-evaluated regularly and might lead to updates of the KIID. The KIID should be a living document, not just a one-off disclosure requirement at the time of sale (which should be available throughout the lifetime of the product as foreseen in Technical Advice 5).</p>
69.	Lieve Lowet, consumer of EOS PRIIPs	Question 2 (p6)	<p>The technical advice 2, 3, part of 6 and 7 (the parts not related to the IPS) relate to governance and supervision.</p> <p>But the suggestion of the ESAs to increase the information beyond the KID, while the consultation refers to procedures used to establish whether a PRIIP targets specific EOS objectives, is outside the scope of article 8,4.</p>

			<p>The draft reply suggests that it is the consumer/retail investor who needs to go beyond the KID. Was the KID not intended by lawmakers to give all relevant information at a glance? As a EOS retail investor, I would like to be treated equally with other retail investors who have all relevant information in one KID.</p> <p>Regarding effective governance and supervision, the reply refers to the MIFID II or IDD product governance "rules". This is a vague legal reference.</p> <p>It is my understanding that L2 texts (delegated acts) should not be used to fill gaps left in L1 texts, even for the sake of coherence and the advice should reflect this.</p>
70.	London Stock Exchange Group	Question 2 (p6)	<p>Limitations to the effective governance of the EOS PRIIPS can be posed by:</p> <ol style="list-style-type: none"> <li>1. Lack of references to market accepted definitions of EOS and associated global standards undermines comparability: leaving complete freedom to the individual PRIIP manufacturer risks hindering comparability of PRIIP offering by the retail investors. LSEG experiences strong demand for adherence to global standards from institutional investors who would potentially have the means to conduct thorough due diligence on the investable assets and products. Therefore LSEG believe that retail investors should have at least the same protection deemed necessary by institutional investors.</li> <li>2. Lack of consistency with other EU financial regulation: definitions of environmental and social are already present in the IORP II and Non-financial Reporting (NFR) regulations. Not building on those definitions and regulations – which have an impact on an estimated 75 million pension fund beneficiaries, who can be equated to retail investors (IORP II), and on PRIIPs underlying assets (NFR) – is a missed opportunity, can create confusion and make the governance of the EOS products less effective.</li> </ol>
71.	OP Financial Group	Question 2 (p6)	<p>The definition what positive EOS effects can consist of is not a clear-cut (as admitted in the paper).</p> <p>A fund can be an EOS fund without targeting specific environmental or social impacts. A fund can either exclude certain sectors and companies or it can focus on investing certain sectors or types of companies without directly targeting a measurable positive environmental or social impacts.</p>

72.	Schroder Investment Management Ltd	Question 2 (p6)	<p>What are in your view the constraints of the measures proposed in the technical advice with respect to effective governance and supervision?</p> <p>The consultation has been clear that it does not have a mandate to enforce a normative approach in his market. However, by seeking to avoid endorsing any of the well established and understood terminology in this area and introducing the term EOS we would argue that a substantial constraint has inadvertently been introduced on a number of areas.</p> <ul style="list-style-type: none"> <li><input type="checkbox"/> The requirement that “All PRIIP manufactures shall ensure that the money invested via the PRIIP are effectively and predominantly employed for the achievement of the stated EOS objectives” indicates that social and environmental objectives rank above or even exclude financial ones. This could lead to a very prescriptive approach being adopted in this market place.</li> <li><input type="checkbox"/> If this is deemed to be the case, this in turn could give rise to a questioning of the appropriateness of some products in some jurisdictions for certain investors given existing fiduciary requirements to maximise returns. We would agree that it is important that a fund’s investment policy statement (IPS) and investment activity in this area is closely aligned, but there should be clarity on room for financial, environmental and social outcomes to be targeted together.</li> <li><input type="checkbox"/> We feel that the IPS should not just focus on investment objectives but also on investment processes. In this area the term “objective” is often equated with “impact.” This infers that products that are employing fossil fuel screening would not qualify. Nor would some funds that are seeking to allocate capital to sustainable companies, through a rigorous investment process. It is not made clear if engagement, getting a company to reduce their carbon footprint or abandon certain activities is an appropriate objective. Equally a fund that just reported on its carbon footprint (a legal requirement in some jurisdictions) but did nothing more could be deemed to be an EOS.</li> </ul>

			<p><input type="checkbox"/> An “objective” or “impact” is measured at the end of an investment. Arguably retail investors attracted to these products are interested in the role that environmental and social analysis plays in the entire investment that they buy.</p> <p>We advocate that the focus is not on “objectives,” but on each step of the investment process. Funds wishing to qualify for inclusion in this area would have to demonstrate processes above regulatory minimums in at least one area of environmental and social screening, investment integration, engagement or impact reporting.</p>
73.	sriServices	Question 2 (p6)	<p>(Q What are in your view the constraints of the measures proposed in the technical advice with respect to effective governance and supervision?)</p> <p>Striking a balance between the publication of clear and appropriate (fair and not misleading etc) information and systems – whilst not disincentivising fund managers from becoming involved in this market.</p> <p>The tendency of many institutional investors - and the organisations that represent them - is to assume that retail investors are ‘like them’ (and their major clients). They are not. Institutional (and other) service providers often to assume problems can be solved by crunching data. This area is more nuanced, emotional and personal than other markets and needs to be viewed differently.</p> <p>For example, the stated view that ‘vague social objectives’ can be replaced by clearer statements is not right.</p> <p>Be aware, there are different opinions, aims and ‘shades of green’ . Different investors want different</p>

			<p>things and the balance of financial vs EOS objectives will vary. This complexity does not appear to come through clearly enough in this paper. The use of what the paper refers to as 'vague' terms can often be a reflection of a recognition of this complexity as well as greater integrity as it recognises that many issues and investee companies are complex and neither entirely good or entirely bad. Encouraging all relevant fund managers to potentially overstate their positions is inappropriate and a risk.</p> <p>This is of course different from more specialist 'outcome focused' social investment / impact investment options where cause and effect are more clear. These are however not always PRIIPS and not 'mass market' options.</p> <p>Regulation must allow for such differences and not penalise fund managers who are active in this market but not necessarily aiming to be leaders of it.</p> <p>Also see 'General Comments' response regarding fund managers often lacking direct contact with retail investors (which is likely to make some of these recommendations unworkable in their current form).</p>
74.	The Norwegian Consumer Council	Question 2 (p6)	<p>The Norwegian Consumer Council would like to point out that there is a growing need for unambiguous pan-European standards in the field of PRIIPs with environmental or social objectives. The demand for sustainable and ethical investment options is growing, and clear guidelines and requirements are essential in order to provide confidence and trust.</p> <p>It is necessary to ensure that requirements are clear and comprehensive. Potential loopholes must be identified and blocked. Any unsubstantial or unjustified proposals by the finance industry to postpone or delay the implementation of the regulation should be dismissed.</p>
75.	Triodos Bank NV	Question 2 (p6)	<p>The technical advice assumes that the retail investor will go and explore other documents and links after reading the KID. This is often not the case. We believe that the KID itself should give the retail investor sufficient information on the objectives, the investment policy and the expectations as to impact and return of the investment he./she considers, even if that information is duplicated or copied</p>

			by other documents.
76.	WWF European Policy Office	Question 2 (p6)	<p>WWF finds the technical advice with respect to effective governance and supervision positive, in the sense that the manufacturers have to put in place appropriate product governance procedures ensuring compliance of the claim with the investment strategy (intended outcomes ) during the life time of the PRIIP.</p> <p>Furthermore, the ESAs state that ‘appropriate governance procedures help to ensure a PRIIP with social and/or environmental objectives does what it is supposed to do’, as a way of preventing the setting of vague green/social objectives that have little substance/significance in respect of the investments made by the PRIIP. In our view, a stronger and more efficient way of preventing the setting of vague EOS objectives, is to set/define a strong ESG sector-specific standard/criteria to be used in all relevant EU policies and legislations in order to ensure consistency and foster comparability. This is something we think ESAs should recommend as part of the technical advice as many investors don’t have a comprehensive approach of ESG factors (EOS objectives in this case), and would need it in order to make an informed decision, which is one of the aims of this consultation document. It is mentioned in the technical advice too that ‘retail investors need more explanation on the cause-and-effect relation with regard to the EOS impact of a PRIIP’ and it has to be done through the IPS. WWF stresses the need to integrate an ESG risk assessment of the PRIIP claiming to have E&amp;S objectives in the IPS, plus robust ESG disclosure requirements including how the PRIIP is aligned to international commitments like Paris Agreement or SDGs ; how are the manufacturers planning to comply with the claimed E&amp;S objectives ; how will they integrate EOS objectives in the overall investment strategy ; what will be the impact of the E&amp;S objectives in the investment risk/investment return ; etc.</p> <p>The technical advice mentions ‘The manufacturer shall express what way the social and/or environmental investment objectives are translated into specific products or specific asset classes. The design /selection criteria must contain and display a strong commitment of the PRIIP manufacturer to the stated objectives. By way of example, and in order to render a PRIIP ‘green’ or ‘environmental’, it may not be sufficient to avoid investment in fossil or nuclear energy (i.e. a pure negative or exclusion strategy, as mentioned in 3.3, would not suffice). Instead, straight links have to be given between a certain investment and EOS objectives. These cause-and-effect relations must be depicted in a way that is accessible to the retail investor.’ WWF supports this statement, as it aligns with what is said previously, and emphasize the need for an ESG definition that goes beyond negative and exclusion strategies. ESG data and information must be made available to the retail investor, together with a</p>

			complete risk assessment, including ESG risks and impact (as weakly mentioned in Technical Advice 6). Moreover, if an ESG definition exists, it will help the money invested in the PRIIP to be effectively and predominantly employed for the achievement of the stated EOS objective (as stated in the technical advice).
77.	2 degree Investing Initiative	Question 3 (p7)	The principle-based approach seems as a pragmatic approach, given the current lack of agreed definitions. However, there should be space for future integration of such definitions as they evolve for example in the framework of the development of the ISO standard 14097. A regular review of the approach, about every 2 years, is warranted to ensure that the fast development in this area is taken into account.
78.	ALFI Association of the Luxembourg Fund Industry	Question 3 (p7)	We refer to the detailed answers to advices 1 to 7.
79.	AMAFI	Question 3 (p7)	AMAFI agrees with the principle-based approach.
80.	ANASF	Question 3 (p7)	We support the approach adopted in the proposed Technical Advice: existing rules for PRIIPs in general are sufficient for the purposes of sound regulation of EOS PRIIPs, provided that they apply to all manufacturers and that they are interpreted according to the specific nature of EOS objectives.
81.	Association Française de la Gestion financière - A	Question 3 (p7)	We agree with the approach. The reference to MiFiD II product governance doesn't seem to be appropriate. By the way, AFG does not believe that a difference should be made between the target market of an EOS PRIIPs and a PRIIPs with no EOS objectives. This requirement makes the target market too restrictive. Compare for example an equity fund non-EOS, and an equity fund EOS. Or alternatively, a bond fund non-EOS and a bond fund EOS. On dimensions such as 'required knowledge and experience from investor'; 'risk tolerance of the investor'; 'minimum holding period', there is no material difference between the EOS version and the non EOS funds.

82.	Association of International Life Offices (AILO)	Question 3 (p7)	Yes, however an EOS by its nature will add an air of responsible investment, but may not be without risk, especially if investing in developmental EOS projects. These may have lock in periods or realise nothing if the project fails - almost a venture capital gamble, albeit with good intentions.
83.	Aviva Investors	Question 3 (p7)	<p>Question 3: Do you deem the principle-based approach in Section 4 for addressing EOS specific product governance and oversight requirements for PRIIPs appropriate?</p> <p>The reference to MiFiD II product governance is not appropriate for fund managers. Instead, we would suggest a reference to more generic requirements stemming from UCITS and AIFMD. Acting in line with declared investment objectives is not only a matter of product governance, but a responsibility for the whole firm.</p> <p>In the investment policy statement for a PRIIPs with EOS goals, it should be clearly defined what is meant by 'EOS'. Various terminologies already exist to describe such responsible investment processes used by providers of these products to embed sustainability into the products (such as Environmental, Social and Governance criteria or Socially Responsible Investment) and we encourage the ESAs to seek to align with existing terminology and practice. We support definition used by PRI: <a href="https://www.unpri.org/about/what-is-responsible-investment">https://www.unpri.org/about/what-is-responsible-investment</a></p>
84.	BVI Bundesverband Investment und Asset Management	Question 3 (p7)	We agree with the principle-based approach, however, we are very concerned about the ESAs' approach and understanding regarding the product governance rules (see below comment regarding Technical Advice 2).
<b>C</b>	<b>Confidential</b>	<b>Question 3</b>	<b>Confidential comment.</b>

85.	comment	(p7)	
86.	Ecofi Investissements	Question 3 (p7)	Ecofi agrees with the approach proposed. The disclosure could be focused also on engagement activities: in particular it should be given the opportunity to communicate the engagement activities implemented by the manufacturer and their impact.
87.	European Fund and Asset Management Association (EF)	Question 3 (p7)	<p>We agree with the principle-based approach, however, we are very concerned about the ESAs' approach and understanding regarding the product governance rules (see below comment regarding Technical Advice 2).</p> <p>The reference to MiFiD II product governance is not appropriate for fund managers. Instead, we would suggest a reference to more generic requirements stemming from UCITS and AIFMD. Acting in line with declared investment objectives is not only a matter of product governance, but a responsibility for the whole firm.</p>
88.	Eurosif	Question 3 (p7)	In general terms, we are supportive of a principle-based approach for EOS product governance, at least in this first instance in the life of the product.
89.	FECIF	Question 3 (p7)	We support the approach adopted in the proposed Technical Advice: existing rules for PRIIPs in general are sufficient for the purposes of sound regulation of EOS PRIIPs, provided that they apply to all manufacturers and that they are interpreted according to the specific nature of EOS objectives.
90.	Insurance Europe	Question 3 (p7)	Insurance Europe supports adhering to a principle-based approach and a realistic implementation timeline so as to foster the availability of EOS PRIIPs rather than to limit it.
91.	Joost Mulder (individual)	Question 3 (p7)	Within the mandate given by the Commission, the principle-based policy presented in Technical Advice 4 could be expanded to include sample checks by supervisors or benchmarking provisions, without moving towards a full monitoring regime as analysed in Policy Option 3.3 in the Preliminary Impact Assessment. As consumer associations and EOS-oriented campaign groups do not have the capacity to follow-up on individual products, such a regime would be the only way to reduce the probability of public scandals, which would have a detrimental impact on the reputation of EOS investments.

92.	Lieve Lowet, consumer of EOS PRIIPs	Question 3 (p7)	<p>For insurance-based PRIIPs, the SII (art 40 and following) and IDD (art 25) requirements give already a broad legal framework, which started from principles, but is increasingly very rules based via the issuance of L2 measures. A stricter regulation of what is an EOS investment may be needed to facilitate supervision, but the L1 PRIIP text does not allow for it anno 2017.</p> <p>The review of parts of Art 27,1 of the EuSEF regulation by 22 July 2017 may be helpful, defining at least some EOS investments, they may provide input for the review of the KID regulation by 31 December 2018.</p>
93.	London Stock Exchange Group	Question 3 (p7)	<p>LSEG supports the principles based and not prescriptive approach outlined in Section 4, provided that</p> <p>(i) PRIIP manufacturers are encouraged to make references to a global standard of their choice for the identification of the PRIIP EOS objectives and considerations;</p> <p>(ii) Disclosure of achieved environmental and social impacts and integration is recommended as a key product governance principle.</p>
94.	Mirova	Question 3 (p7)	<p>The principles based approach in section 4 seems to us appropriate but not sufficient. Given the complexity of SRI, implementing simple and readable labels may prove necessary to provide non-misleading information and guarantees to retail investors.</p>
95.	OP Financial Group	Question 3 (p7)	<p>We support the principles-based approach to the most extend.</p> <p>This approach is the right one as the definition of EOS is not clear. It would very demanding if not possible to predefine all acceptable positive EOS meanings.</p>
96.	Schroder Investment Management Ltd	Question 3 (p7)	<p>Do you deem the principle-based approach in Section 4 for addressing EOS specific product governance and oversight requirements for PRIIPs appropriate?</p> <p>We would agree with a principle based approach. We agree that the establishment of an IPS is a key part of this. However we believe that this should not focus solely on EOS objectives, but be expanded</p>

			to include EOS processes to ensure that it is rigorous. If a decision was taken not to change the terminology of EOS we would argue that regulators issue guidance to ensure that a wide range of approaches, as long as they are transparent, well evidenced and encouraged, are encouraged to develop and evolve
97.	sriServices	Question 3 (p7)	<p>Q Do you deem the principle based approach in S4 for addressing EOS specific product guidance and oversight requirements for PRIIPS appropriate ?</p> <p>Yes – providing this is not required to be too onerous. Standards should be raised but we must recognise that any move in this direction will have cost implications for which investors will ultimately pay. Regulators should not aim to require all fund managers to adopt the standards of the industry leaders (eg those who meet the Eurosif transparency standards) as this would discourage new entrants and reduce choice.</p> <p>Although I am in favour of these proposals finalised requirements should allow fund managers who chose to specialise and become leaders in this field to differentiate themselves – and allow new fund managers to enter this fields without their being overly onerous barriers to entry.</p> <p>The emphasis should be on fund managers being clear about what they do so that clients can make informed decisions (with reasonable ‘checks and balances’ to ensure this takes place.)</p> <p>Also see ‘General Comments’ response.</p>
98.	The Actuarial Association of Europe	Question 3 (p7)	We think that a principle based approach is good in this area. It would be difficult and probably also counter-productive to have strict rules in this area that is changing with science going forward.

99.	The Norwegian Consumer Council	Question 3 (p7)	<p>The principle-based approach outlined in the consultation paper will lay the foundation for improved transparency and oversight. The Norwegian Consumer Council welcome appropriate steps that will increase consumer knowledge.</p> <p>The principle-based approach could also help to raise awareness and commitment in the finance industry. Clarification of requirements on EOS PRIIPs could help facilitate influx of capital towards investments with an increased focus on sustainability.</p>
100.	Triodos Bank NV	Question 3 (p7)	<p>As there is no widely accepted definition of EOS within the EU legal framework yet, a principle-based approach is the only option for the moment. We would support more strict regulation of EOS investments in a next stage, for example by introducing a scale (for instance from 1-7, like the summary risk indicator), which mirrors to which extent EOS principles are met.</p>
101.	WWF European Policy Office	Question 3 (p7)	<p>WWF wants to highlight the importance of developing a solid ESG framework that enables management to oversee ESG issues, including risks and opportunities, and triggers corrective actions where necessary. It is essential to integrate the evaluation and reporting of ESG issues into on-going monitoring. The ESAs must help shape an effective ESG framework, including processes and reporting, through their technical advice.</p> <p>WWF supports the development and implementation (of the manufacturer) of ongoing monitoring procedures and controls so that the investment strategy is properly implemented and adhered to over time (Technical Advice 6). One of the flaws WWF's spotted is where it says 'The IPS shall provide summary details on these</p> <p>measures, and where relevant, establish and explain links between the EOS PRIIP and its positive impact on publicly accepted and sustainable targets, also taking into account the more or less direct expected EOS impact.' Regarding WWF's views, there's always good intention in developing measures that contribute to the transition to a low carbon economy and a sustainable financial system, but it's always weakened with this kind of language. We would therefore ask the ESAs to recommend that the IPS should always explain the links between the EOS PRIIP and its positive and negative impact (direct and indirect) on publicly accepted and sustainable targets. We fully support 'the more indirect the EOS impact of the PRIIP is, the more information must be provided and increased monitoring/control effort needs to be applied.</p>

			<p>We disagree with what is said in point 17 '(...)Strict rules would lack the flexibility required to capture various EOS products and evolutions in the market.' We firmly believe there should be robust rules regarding ESG governance monitoring measures and disclosure – for example, as mentioned before, requiring mandatory ESG disclosure and ESG risk assessment. It's is partially reflected in point 22 where the ESAs say 'a regular review of the performance of the product and the processes put in place in view of the EOS objectives and the associated investment strategy in the IPS should be mandatory.'</p> <p>Regarding the frequency of the regular review, the ESAs propose at least annually, but WWF thinks it should be increased.</p> <p>WWF supports the ESAs advice on informing the retail investor about the outcome of the regular review so that they can assess the impact of possible divergence from the IPS content. Furthermore, it is consistent with the aims of the technical advice, especially to restore investor confidence, that, in case of divergence, the manufacturer must present to the retail investor a 'well-founded, effective and efficient schedule of steps for regaining full compliance with the EOS objectives of the PRIIP and the investment strategy, respectively'.</p>
102.	ALFI Association of the Luxembourg Fund Industry	Question 4 (p7)	<p>We refer to the general comments made above.</p> <p>In addition, EuSEFs should automatically qualify as EOS PRIIPs, without the need for EuSEF managers to comply with any other rules.</p>
103.	ANASF	Question 4 (p7)	<p>As we explain in our comment on Technical Advice 7, it is likely that retail investors address their personal financial advisor when they are provided with information concerning the outcome of the reviews of EOS PRIIPs. More generally, the Technical Advice should consider the role of financial intermediaries and advisors (qualified as tied agents that may provide advice and offer financial products and services outside the premises of banks, investment firms and asset managers) as a link between manufacturers and retail investors (this is the approach adopted under MiFID II and IDD with regard to requirements on Product Oversight and Governance for manufacturers and distributors).</p> <p>Moreover, the basic obstacle to the development of EOS investments is the lack of a common classification methodology to enable investors to identify EOS investments and their objectives (cf. our answer to Q1). With this regard, we also consider the introduction of an indicator (numerical scale ranging from 1 to 7) to assess the EOS impact of each EOS PRIIP (cf. our comment on Technical</p>

			Advice 6).
104.	Association Française de la Gestion financière - A	Question 4 (p7)	NO.
105.	Association of International Life Offices (AILO)	Question 4 (p7)	If there are potential negatives (lock ins; negative or nil returns), such risks should be disclosed.
106.	BVI Bundesverband Investment und Asset Management	Question 4 (p7)	No, we do not think that further measures would facilitate the growth of RI.
107.	Ecofi Investissements	Question 4 (p7)	<p>According to Ecofi Investissements, the reporting model of the PRIIP manufacturers who claims to offer SRI products should contain some quantitative data about ESG performance and not just general commitment statements. The data could be referred to the EOS indicators or the ESG criteria considered in portfolio construction.</p> <p>The data should not regard just the EOS indicators but also the governance ones, such as the governance criteria that have been considered in the companies analysis.</p>
108.	European Fund and Asset Management Association (EF)	Question 4 (p7)	It is stated at the bottom of page 8/9 that the creation of an investment policy statement should lead to a clear specification of EOS objectives and constraints. Amongst the constraints which the investor will have to accept, risk and return are mentioned. This could be relevant, but only in a very specific number of cases. For example: if the asset manager would be forced to sell investments because of non-EOS compliance, in less liquid markets. However, these circumstances are limited and very specific. One should be careful in suggesting any ex ante relation between EOS and risk/return as this is the difference between responsible investment and impact investing (see comments on Technical Advice 3).
109.	Eurosif	Question 4	Nevertheless, referring to 'appropriate product governance procedures' able to guarantee the

		(p7)	adherence of the investments' objectives before and during the lifetime of PRIIPs, should be referring to a framework of reference. In particular, referring to impacts, and allowing for their monitoring, implies a methodological impact assessment similar to the use of proceeds the Green Bonds are referring to. An indication of eligible categories of investments and a second-party opinion could also foreseen.
110.	FECIF	Question 4 (p7)	<p>As we explain in our comment on Technical Advice 7, it is likely that retail investors will address their personal financial advisor when they are provided with information concerning the outcome of the reviews of EOS PRIIPs. More generally, the Technical Advice should consider the role of financial intermediaries and advisors as a link between manufacturers and retail investors (this is the approach adopted under MiFID II and IDD with regard to requirements on Product Oversight and Governance for manufacturers and distributors).</p> <p>Moreover, the basic obstacle to the development of EOS investments is the lack of a common classification methodology to enable investors to identify EOS investments and their objectives (cf. our answer to Q1). With this regard, we also consider the introduction of an indicator (numerical scale ranging from 1 to 7) to assess the EOS impact of each EOS PRIIP (cf. our comment on Technical Advice 6).</p>
111.	Insurance Europe	Question 4 (p7)	<p>Insurance Europe supports adhering to a principle-based approach and a realistic implementation timeline, so as to foster the availability of EOS PRIIPs rather than to limit it.</p> <p>The entry into force of EOS PRIIPs rules should duly consider the implementation timeline of the IDD (the deadline for the transposition of the POG Rules under IDD runs until 23 February 2018). This would avoid regulatory mismatches arising from different transpositions of the POG rules at national level, which may undermine the level playing field.</p>
112.	Joost Mulder (individual)	Question 4 (p7)	The ESAs should consider issuing Level 3 Guidance, to allow supervisors to defining best practises for spot checks and benchmarking of EOS calibrations between funds.
113.	Lieve Lowet, consumer of EOS PRIIPs	Question 4 (p7)	Yes, delete any reference to IPS. Can the ESAs identify in the L1 texts of the IDD, or in the L1 text of SII directive, or in the KID regulation itself a clear and undisputable obligation for an Investment Policy Statement? Such Investment Policy Statement would risk to be an additional document on top of the

			<p>KID, and potentially on top of a prospectus (causing undue costs which in the end the consumer/retail investor pays). This additional requirement is worrying for 3 reasons:</p> <ul style="list-style-type: none"> <li><input type="checkbox"/> Today the ESAs in the draft advice suggest it only for EOS PRIIPs. For which type of future PRIIP or other investment instrument will the same requirements be introduced by analogy in the future? Why only for EOS PRIIPs?</li> <li><input type="checkbox"/> The creation of an IPS may in turn require an ITS to guarantee the proper EU format – this clearly was not the intent of the legislators when issuing the KID regulation.</li> <li><input type="checkbox"/> Neither SII, IDD, MIFIDII, ELTIF, EUSef directive/regulation require a IPS directly or indirectly.</li> </ul> <p>As mentioned, the obligation to have an IPS is not in line with the objective of the consultation which is about procedures used to establish whether a PRIIP targets specific EOS objectives.</p>
114.	Mirova	Question 4 (p7)	As mentioned above, we suggest implementing labels that are understandable and recognizable by retail investors, such as labels implemented on consumer goods for energy efficiency or organic food. They should apply to all investment products, beyond PRIIPs.
115.	OP Financial Group	Question 4 (p7)	We are generally fine with technical advices 1-7 and we have no further suggestions.
116.	Schroder Investment Management Ltd	Question 4 (p7)	No comment
117.	sriServices	Question 4 (p7)	<p>(Q Do you have any suggestions beyond the measures outlined here ?)</p> <p>Proposals should make it clear that individual investors have different aims (both financial and EOS/ethical) and that diversity of options is therefore valuable. (</p> <p>See 'Necessarily Diverse' information on <a href="http://www.sriservices.co.uk">www.sriServices.co.uk</a> - <a href="http://www.sriservices.co.uk/about-sri/diversity">http://www.sriservices.co.uk/about-sri/diversity</a> )</p>

			<p>Be aware any price increase (resulting from extra requirements) will be borne by clients – this could and should be somewhat addressed by requiring all PRIIPS to state their position on EOS factors with regard to investment decisions.</p> <p>Legislation should aim to ensure consistency between active and passive fund options- ensuring that practices are directly comparable. (Be aware clients generally will not understand financial aspects such as indices or voting practices and can easily be misled in inappropriate options on the basis of price or a label that may be misunderstood.)</p> <p>In part because fund managers often do not have direct relationships with individual -investors intermediaries and other distributors should be included within these rules in order for information to be dispersed to end investors. This would support relevant ‘true, fair and not misleading’ requirements.</p> <p>When finalising this consultation I would encourage you to speak with people with significant direct experience in retail investment – particularly those with experience of clients, intermediaries and other channels – in order to ensure the mechanics are workable.</p> <p>Also see ‘General Comments’ response.</p>
118.	The Norwegian Consumer Council	Question 4 (p7)	<p>In order to ensure that holdings are compatible with long-term sustainable development, the Norwegian Consumer Council would like to point out that there may be a need to include requirements on inclusions and/or exclusions as part of the investment strategies outlined in an IPS. Certain industries and companies, especially those who violate basic human rights and international environmental conventions, have no place in EOS PRIIP portfolios.</p>

			<p>Furthermore, in order to adapt to and capture significant changes which should be reflected in the composition of holdings in an EOS PRIIP, a necessary degree of flexibility may be needed. It must be possible to adapt to important innovations and developments in the marketplace.</p> <p>There is a growing demand from many investors for independent and objective assessments, in particular on the actual sustainability profile of the various investment products that exist in the market. Hence, there should be a section in the IPS providing information to investors on where to find any possible externally provided updated ratings and assessments.</p>
119.	Triodos Bank NV	Question 4 (p7)	<p>As there is no widely accepted definition of EOS within the EU legal framework, 'EOS' is currently the 'all-purpose word' for any investment product that aims or claims to have a social or environmental purpose, to any extent. Therefore, nowadays very different products are labeled as EOS, although they may differ greatly, for instance in type of product (transferable securities, loans, funds), size &amp; set up (from multimillion SRI investment through the stock exchange, to small direct investment in local business) but also certainly on the type of social or environmental impact they aim for &amp; achieve.</p> <p>In saying this, we do not think there is anything wrong with any of these products, and (on the contrary) support any effort which is put in any product on social or environmental objectives.</p> <p>However, we do think a typical EOS investor wants to be able to assess within the (current, wide) range of EOS products, what exact EOS product suits him or her. From our experience EOS investors have a more than average need for information certainly on the environmental and/or social aspects, because they look for products meeting their own (subjective) criteria. This is different from the usual investors, who will mainly look at objective criteria such as territorial scope, risk or return.</p> <p>Therefore, in our view an EOS investor wants and needs enough information to be able to differentiate between all the different EOS products that are called 'EOS' and to be able to make the right</p>

			investment decision for him/her. In the future, we can envisage a more formal EU legal framework for this, for instance in the development of a scale (for instance from 1-7, like the summary risk indicator), which mirrors to which extent EOS principles are met.
120.	WWF European Policy Office	Question 4 (p7)	<p>As referred in point 12 (page 23), 'Publication of the IPS document in durable form, should be generally required, in order to make the necessary information available to retail investors. Where a prospectus is available, it could alternatively be regarded as an appropriate means for the manufacturer to provide transparent, comprehensive and legally binding information on the product's investment objectives and their implementation in the investment process.' WWF would like to highlight the missed opportunity in the Prospectus Regulation process to integrate ESG risk factor reporting requirements in the text (related to Article 16 specifically) as they can constitute specific and material risks in financial products (as reflected in Recital 48a proposed by the Council 'Environmental, social and governance circumstances, often viewed as external and general, may also constitute specific and material risks in a financial product. Hence, due care should be taken not to unduly exclude any such truly material and specific risks where they may cause losses to the investor;'). ESG risk disclosure should have been included in the text (under Article 16), in order to ensure consistency with IORPs II, Shareholder Rights Directive and Non-financial Reporting Directive.</p> <p>Regarding the retail investor's ability to assess the credibility of the claimed EOS objectives and to make a well-informed decision, the manufacturer having to provide a prospectus (or not) should provide the necessary information (legally binding info) like ESG risk factors, impacts and opportunities that can be material for the investors.</p>
121.	ALFI Association of the Luxembourg Fund Industry	Technical Advice 1 (p21)	The delegated act shall specify the procedures used to establish whether a PRIIP targets specific EOS objectives. We believe that the advice should state the procedure but should not be prescriptive about mandatory additional disclosures outside the KID itself: all investment strategies have to be documented outside of the KIDs, we do not believe that EOS and non-EOS PRIIPs should be treated differently. The requirement for an 'Investment Policy Statement' in addition to the fund documents is an unnecessary additional compliance requirement.
122.	AMAFI	Technical Advice 1 (p21)	All investment policy descriptions should meet qualitative descriptions based on the general rules on prospectuses or other financial documents already required by other European Union Regulations.

			Regarding this point, AMAFI questions the inputs that could be made by the drafting of a separate new document (the 'Investment Policy Statement').
123.	ANASF	Technical Advice 1 (p21)	Technical Advice 1. KID e IPS. We agree with the proposed Technical Advice 1. Due to the limited space available under the "What is this product" section in the KID, the IPS is the appropriate way of providing additional information to the retail investor on EOS objectives and the related investment process.
124.	Association Française de la Gestion financière - A	Technical Advice 1 (p21)	OK
125.	Association of International Life Offices (AILO)	Technical Advice 1 (p21)	Clarity that where the MOP provider prepares a KID in accordance with Article 10(b) of the RTS it should include a generic standard template wording and in accordance with the Article 6.3 PRIIPs Regulation derogation signpost to where other information such as the IPS can be found (ideally a reference to the manufacturers website).
126.	Aviva Investors	Technical Advice 1 (p21)	When a PRIIP, such as a non-UCITS fund, follows a responsible investment policy, or an ESG investment policy, this is - and should be - described in the fund documentation under the investment policy section. Even though UCITS funds will not be producing PRIIPs KIDs and do not disclose EOS for the time being, the investment policy is contained in the fund prospectus. All investment policy descriptions should meet qualitative descriptions based on the general rules on prospectuses and AIF fund documentation.
127.	BVI Bundesverband Investment und Asset Management	Technical Advice 1 (p21)	The ESAs introduce a new disclosure requirement with the IPS. Although retail investment funds generally describe their investment objectives in the prospectus and the KIID, we believe that a new disclosure requirement outside the PRIIPs KID is not in line with the PRIIPs Regulation. This allows only specifying details of procedures used to establish whether a PRIIP targets environmental or social objectives (see Art. 9 para. 4) and does not provide a mandate to impose further disclosure requirements beyond the PRIIPs KID. Furthermore, this is not in line with the Commission's request for advice which only requires the IPS in case sectoral legislation is found insufficient.

C 128.	Confidential comment	Technical Advice 1 (p21)	Confidential comment.
129.	Ecofi Investissements	Technical Advice 1 (p21)	The IPS should clarify how the ESG issues have been considered in the investment strategy construction.
130.	European Fund and Asset Management Association (EF)	Technical Advice 1 (p21)	<p>When a PRIIP, such as a non-UCITS fund, follows a responsible investment policy, or an ESG investment policy, this is - and should be - described in the fund documentation under the investment policy section. Even though UCITS funds will not be producing PRIIPs KIDs and do not disclose EOS for the time being, the investment policy is contained in the fund prospectus. All investment policy descriptions should meet qualitative descriptions based on the general rules on prospectuses and AIF fund documentation. EFAMA does not believe the rules for incorporating EOS objectives in a PRIIP KID should be more stringent than any other investment approach. The specification in Technical Advice 1 to set out in more detail the EOS of a PRIIP in an 'Investment Policy Statement' is an unnecessary additional compliance requirement.</p> <p>The PRIIPs Regulation only allows specifying details of procedures used to establish whether a PRIIP targets environmental or social objectives (see Art. 9 para. 4) and does not provide a mandate to impose further disclosure requirements beyond the PRIIPs KID. This is also not in line with the Commission's request for advice which only requires the IPS in case sectoral legislation is found insufficient. The EOS concept is new and creates a certain degree of uncertainty, compared to existing ESG or SRI concepts. As outlined previously, we would therefore encourage the ESAs to clarify the scope of the EOS concept, which is potentially too broad.</p>
131.	Eurosif	Technical Advice 1 (p21)	Eurosif supports the alignment between KID and IPS and the need to provide further level of granularity in the latter, specifically referring to targets and objectives. Alignment should also entail opting for a set of indicators which is easy to represent in the KID as easily as they can be transposed in the IPS. An easy application process is needed to avoid discrimination against products which do not have an EOS commitment. Therefore we recommend the IPS to be a less discursive and more concise document, clearly able to reflect the right metrics in place.

132.	FECIF	Technical Advice 1 (p21)	<p>Technical Advice 1. KID e IPS.</p> <p>We agree with the proposed Technical Advice 1. Due to the limited space available under the “What is this product” section in the KID, the IPS is the appropriate way of providing additional information to the retail investor on EOS objectives and the related investment process.</p>
133.	Insurance Europe	Technical Advice 1 (p21)	<p>Insurance Europe supports the ESAs statement on page 20 that manufacturers are not obliged to create an additional disclosure document for EOS PRIIPs. Moreover, Insurance Europe would point out that there is no legal basis for the European Commission to impose any additional information requirements in general.</p> <p>In practice, insurers will always inform consumers about the EOS objectives they pursue. Thus, the ESAs actual advice should in any case not render it impossible, in practice, to adapt existing documents. As not all products have a prospectus, the advice should be redrafted as to allow other documents than the prospectus to be used and should allow flexibility to the manufacturer (for example by not prescribing a standard format). The possibility to use existing documents is especially important in light of (i) the short implementation time and (ii) information overload that investors are already faced with. Furthermore, any additional requirements should be avoided to foster the market for EOS PRIIPs.</p>
134.	Lieve Lowet, consumer of EOS PRIIPs	Technical Advice 1 (p21)	<p>The principle suggested here assumes that by saying that the PRIIPs is an EOS PRIIP, the PRIIP is an EOS PRIIP. This is pure formalism.</p> <p>What I want as an EOS consumer/retail investor is a guarantee that this statement is coherent with the EOS objectives of the PRIIPs, and its specific category.</p> <p>It is this guarantee on the procedures (used by the manufacturer to establish whether a PRIIP targets specific EOS objectives) which should be the focus of the delegated act.</p> <p>The information about the investment procedures should be made transparent in the KID too. And these procedures should be supervised so that the guarantee is corroborated.</p>
135.	London Stock Exchange Group	Technical Advice 1 (p21)	<p>LSEG supports this proposal.</p>

136.	Mirova	Technical Advice 1 (p21)	<p>Again, either in the KID and in the IPS, the “what is the product section” should both state how the EOS objectives contribute to :</p> <ul style="list-style-type: none"> <li>- Reduce ESG risks associated with investments</li> <li>- Support the transition to a more sustainable economy with investment on companies and projects that provide solutions to environmental and social issues.</li> </ul>
137.	Schroder Investment Management Ltd	Technical Advice 1 (p21)	In order to ensure the technical advice meets the requirement of the Commission mandate and the Regulation (article 8(4), we suggest the word “specific” is added before the words “EOS objectives”.
138.	sriServices	Technical Advice 1 (p21)	<p>Agree</p> <p>Also see ‘General Comments’ response.</p>
139.	Swedish Investment Fund Association (SIFA)	Technical Advice 1 (p21)	<p>The ESA :s refer to a specific Investment Policy statement which seems to require full integration of EOS investing aspects. However, there are many different strategies for sustainable or EOS investments. The investment policy should reflect the investments of a product and these strategies should be explained in the KID but the rules should not exclude any strategies as this would be harmful to the development of sustainable investments.</p> <p>All investment products will have some kind of investment policy. The investment policy is the agreement with the investors to adhere to a certain policy or strategy when investing the money a manager has been entrusted. It is not clear if ESA :s refer to a different investment policy. SIFA would suggest that the EOS objectives of an investment product should be included into the main investment policy of the product and that there should be no new documents to produce.</p>
140.	The Actuarial Association of Europe	Technical Advice 1 (p21)	
141.	The Norwegian	Technical	The Norwegian Consumer Council support introducing requirements on PRIIPs with environmental or



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	Consumer Council	Advice 1 (p21)	<p>social objectives. Relevant detailed additional information should be provided within the framework of existing and well-known investor documents, and preferably in an unbureaucratic way.</p> <p>In order to ensure this ESMA should conduct user testing of templates, in the same way as it was done when developing KIID in UCITS IV – which has turned out as a success.</p> <p>The aim must also be to support investment managers with a clear and simple way to communicate the environmental or social profile and the investment strategy of a PRIIP.</p>
142.	Triodos Bank NV	Technical Advice 1 (p21)	<p>Key Information Document and Investment Policy Statement There is a mutual/close relationship between the EOS objectives stated in the KID of a PRIIP and the investment objectives as set out in an investment policy statement (IPS). The IPS shall however contain a more granular and specific description of the investment process than what is currently envisaged under the 'What is this product?' section in the KID.</p> <p>This assumes that (only) stating the EOS objectives in the KID will give enough information to enable an EOS investor to assess to what extent the product realises/complies with social and environmental objectives. We do not think this is the case.</p> <p>Due to the growing interest of the public in EOS products there is a growing interest of manufacturers to market products as 'EOS'. As there is no widely accepted definition of EOS within the EU legal framework, we nowadays see that it is not uncommon for a manufacturer to (easily) state that as an objective it 'aims to meet certain EOS objectives', but is not implemented in the investment process and therefore these EOS goals are not reached.</p> <p>The investor should be protected from these practices, and should be able to assess, not only from the IPS but also from the KID 1) what the exact EOS objectives are, and 2) to what extent the investment process makes it possible that these objectives are met. Therefore this information about the investment process should also be made transparent in the KID, and with equal importance as other standard key elements such as risk and return - because they are equally important to an EOS investor! Not including this information in the KID would be an omission in the information an EOS investor would want to base their investment decision on.</p>

143.	WWF European Policy Office	Technical Advice 1 (p21)	WWF believes EOS objectives (ESG) of a PRIIP should always be presented in the KID, as well as in more detail in the IPS. In addition, an ESG risk assessment should also be disclosed for the retail investor to understand the environmental and social impacts of that investment, the link with a long-term time horizon, plus the connection of the objectives with the investment strategy and how is the manufacturer going to comply with them (we support 'the manufacturer should be obliged to demonstrate that the EOS objectives form an integral part of the overall investment strategy and philosophy of the PRIIP' point 3/page 20).
144.	ALFI Association of the Luxembourg Fund Industry	Technical Advice 2 (p21)	UCITS management companies and AIFMs are out of scope of MiFID II and IDD, because they are governed by their own rules, which are more relevant to them. We do not see how a revision of these rules would be included in the mandate to the Joint Committee. Also we do not see what would justify to treat EOS PRIIPs and non-EOS PRIIPs differently in this respect.
145.	AMAFI	Technical Advice 2 (p21)	
146.	ANASF	Technical Advice 2 (p21)	Technical Advice 2. Application of Product Governance Rules. We support the proposed Technical Advice 2, i.e. all manufacturers of EOS PRIIPs shall comply with the respective MiFID II or IDD product governance rules: existing rules for PRIIPs in general are sufficient for the purposes of sound regulation of EOS PRIIPs, provided that they are interpreted according to the specific nature of EOS objectives.
147.	Association Française de la Gestion financière - A	Technical Advice 2 (p21)	The same rules should apply to funds whether they are EOS or non EOS PRIIPS. Advice 2 is unnecessary. The same governance process should apply for all funds to monitor and govern what is stated in the investment objective, to ensure the fund meets what it is set out to do.
148.	Association of International Life Offices	Technical Advice 2 (p21)	Agreed in principle.

(AILO)			
149.	Aviva Investors	Technical Advice 2 (p21)	The same rules should apply to funds whether it is EOS or non EOS PRIIPS. This advice is unnecessary. The same governance process should apply for all funds to monitor and govern what is stated in the investment objective, to ensure the funds meet what it is set out to do.
150.	BIPAR	Technical Advice 2 (p21)	With regard to product oversight and governance rules, BIPAR is of the opinion that this is manufacturers' liability. BIPAR refers to MiFID II and IDD rules in this respect. EOS POG rules should, besides the EOS' specificity, not be different from the POG rules for other PRIIPs.
151.	BVI Bundesverband Investment und Asset Management	Technical Advice 2 (p21)	<p>We are very concerned that the ESAs use EOS PRIIPs in order to apply the manufacturers' product governance rules to manufacturers that are exempt from MiFID and are outside the IDD's scope. To require for instance investment management companies to comply with the product governance rules in MiFID II requires a change of legislation. The ESAs' proposal goes beyond the PRIIPs Regulation as well as the Commission's mandate. In its request for advice the Commission has asked the ESAs to consider the sectoral legislation in order to identify any shortcomings. Only in case sectoral legislation is found to be insufficient, the Commission proposes to introduce</p> <ul style="list-style-type: none"> <li>- the policy statement,</li> <li>- the development of the investment strategy which carries the policy statement into practice and</li> <li>- processes that ensure proper implementation.</li> </ul> <p>However, the ESAs now propose to apply all MiFID II and IDD product governance rules in addition to the establishment of an IPS, its translation into the (allocation of) assets and controls of its proper implementation.</p> <p>Furthermore, the ESAs' GAP analysis of the existing sectoral legislation is not sufficient and should be amended for the following reasons:</p> <ul style="list-style-type: none"> <li>- The PRIIPs Regulation already requires the PRIIPs manufacturer to provide information on the type of retail investor to whom the PRIIP is intended to be marketed. The draft implementing regulatory standards align this requirement with the target market in MiFID II (see Art. 2 para. 3 of the</li> </ul>

			<p>draft Implementing Regulation). Accordingly, the fact that no target market definition is required according to UCITS and AIFM Directives cannot be relevant for the GAP Analysis because a target market will have to be defined for all PRIIPs.</p> <ul style="list-style-type: none"> <li>- The ESAs have picked some of the product governance rules within the MiFID II and have left out others.</li> <li>- The ESAs have not taken into account all rules under the UCITS and AIFM regime. UCITS and AIFM regimes provide similar arrangements as the product governance rules under MiFID and IDD though they are described and labeled differently. The following table shows the rules which the ESAs should at least have taken into account:</li> </ul> <p>MiFID II AIFMD UCITS Directive</p> <p>Responsibility for internal governance: Management body Art. 9(3)(b) E.g. Art. 60 of the AIFM Regulation No. 231/2013</p> <p>Responsibility of senior management and, where appropriate, the supervisory function, for the management company's compliance with its obligations, including:</p> <ul style="list-style-type: none"> <li>- Responsibility for the implementation of the general investment policy</li> <li>- oversees the approval of investment strategies for each managed AIF</li> </ul> <p>Art. 9 of the UCITS Implementing Directive 2010/43</p> <p>Responsibility of senior management and, where appropriate, the supervisory function, for the management company's compliance with its obligations, including:</p> <ul style="list-style-type: none"> <li>- Responsibility for the implementation of the general investment policy</li> </ul>
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			<p>- oversees the approval of investment strategies for each managed UCITS</p> <p>Establishment of a policy/ process for the approval of products Art. 16(3) MiFID II, Art. 9 Delegated Directive.</p> <p>These comprise: Art. 60 AIFM-Regulation requires managements' oversight of an approval for investment strategies.</p> <p>In addition, the following rules inter alia mirror requirements according to the MiFID II Delegated Directive</p>
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			<p>Art. 9 UCITS Implementing Directive requires managements' oversight of an approval for investment strategies. Furthermore, UCITS-Directive provides for a product regulation with a view on investor protection and requires each UCITS to be authorised by its NCA (Art. 5 UCITS-Directive). In addition, the following rules inter alia mirror requirements according to the MiFID II Delegated Directive:</p> <p>Conflicts of interest          Art. 14 AIFMD, Art. 30 et seq. AIFM Regulation          Art. 17 et seq. of the UCITS Implementing Directive</p> <p>No adverse effect for clients          Acting in investors best interest (Art. 17 AIFM Regulation)          Acting in investors best interest (Art. 20 UCITS Implementing Directive)</p> <p>Consider thread to function or stability of financial markets          Art. 17 AIFM Regulation          E.g. Art. 22 para. 2 UCITS Implementing Directive</p> <p>Competent staff</p>
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			<p>Art. 22(1) AIFM Regulation Art. 5(1) and Art. 23(2) UCITS Implementing Directive</p> <p>Oversight management body Art. 60 AIFM Regulation Art. 9 UCITS Implementing Directive</p> <p>Compliance function Art. 61 AIFM Regulation Art. 9(2)(c) UCITS Implementing Directive</p> <p>Scenario analysis Art. 45 AIFM Regulation Art. 40(2) UCITS Implementing Directive</p> <p>Charging structure Art. 17 (2) AIFM Regulation Art. 22(4) UCITS Implementing Directive</p>
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			<p>Material events</p> <p>Risk management, e.g. Art. 15 AIFMD</p> <p>Risk management, e.g. Art. 12 UCITS Implementing Directive</p> <p>Identification of the target market</p> <p>PRIIPs Regulation already requires identification of targeted retail investor.</p> <p>Furthermore, both UCITS and AIFM Directive have monitoring elements which also include the requirement to appoint a depository for each fund that carries inter alia out the task of monitoring whether a fund adheres to the fund rules and investment limits. Accordingly, the GAP analysis would have to be amended and the requirement for at least management companies, being subject to sectoral legislation, to comply with the MiFID rules on product governance should be removed.</p>
C 152.	Confidential comment	Technical Advice 2 (p21)	Confidential comment.
153.	Ecofi Investissements	Technical Advice 2 (p21)	Ecofi Investissements agrees.
154.	European Fund and Asset Management	Technical Advice 2 (p21)	The same rules should apply to funds whether they are EOS or non EOS PRIIPS. This advice is unnecessary. The same governance process should apply for all funds to monitor and govern what is stated in the investment objective, to ensure the fund meets what it is set out to do.

	Association (EF)	<p>As explained above, in the context of fund management, we believe MiFiD II product governance is unsuitable and generic requirements in UCITS and AIFMD should be the basis instead. A heading 'Product Validation Procedures' needs to be inserted, where all sectoral legislation should be listed in cases where there is such validation procedures relating to products (see general comments on gap analysis).</p> <p>We are concerned that EOS PRIIPs is being used to apply the manufacturers product governance rules to management companies although these are exempt from MiFID and are outside the scope of Insurance Distribution Directive. To require investment management companies to comply with the product governance rules in MiFID II requires a change of legislation. The ESAs' Consultation Paper goes beyond the PRIIPs Regulation as well as the Commission's mandate. In its request for advice, the Commission has asked the ESAs to consider the sectoral legislation in order to identify any shortcomings. Only in case sectoral legislation is found to be insufficient, the Commission suggests introducing:</p> <ul style="list-style-type: none"> <li><input type="checkbox"/> the policy statement,</li> <li><input type="checkbox"/> the development of the investment strategy which carries the policy statement into practice and</li> <li><input type="checkbox"/> processes that ensure proper implementation.</li> </ul> <p>However, the ESAs suggest applying all MiFID II and IDD product governance rules in addition to the establishment of an IPS, its translation into the (allocation of) assets and controls of its proper implementation.</p> <p>Furthermore, as explained above, the ESAs' gap analysis of the existing sectoral legislation is incorrect and should be amended for the following reasons:</p>
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			<p><input type="checkbox"/> The PRIIPs Regulation already requires the PRIIPs manufacturer to provide information on the type of retail investor for whom the PRIIP is intended to be marketed. The draft Implementing Regulatory Standards align this requirement with the target market in MiFID II (see Article 2 paragraph 3 of the draft Implementing Regulation). Accordingly, taking the target market definition into account for the gap analysis between sectoral legislation duplicates an existing requirement.</p> <p><input type="checkbox"/> The ESAs have picked some of the product governance rules and have left out others.</p> <p><input type="checkbox"/> The ESAs have not taken into account all rules under the UCITS and AIFM regime. UCITS and AIFM regimes provide similar arrangements as the product governance rules under MiFID and IDD though they are described and labelled differently.</p> <p>The following table shows the rules which the ESAs should at least have taken into account:</p> <p>MiFID II AIFMD UCITS Directive</p> <p>Responsibility for internal governance: Management body Art. 9(3)(b) E.g. Art. 60 of the AIFM Regulation No. 231/2013</p> <p>Responsibility of senior management and, where appropriate, the supervisory function, for the management company's compliance with its obligations, including:</p> <ul style="list-style-type: none"> <li>- Responsibility for the implementation of the general investment policy</li> </ul>
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			<ul style="list-style-type: none"> <li>- oversees the approval of investment strategies for each managed AIF</li> </ul> <p>Art. 9 of the UCITS Implementing Directive 2010/43</p> <p>Responsibility of senior management and, where appropriate, the supervisory function, for the management company's compliance with its obligations, including:</p> <ul style="list-style-type: none"> <li>- Responsibility for the implementation of the general investment policy</li> <li>- oversees the approval of investment strategies for each managed UCITS</li> </ul> <p>Establishment of a policy/ process for the approval of products</p> <p>Art. 16(3) MiFID II, Art. 9 Delegated Directive.</p> <p>These comprise:</p> <p>Art. 60 AIFM-Regulation requires managements' oversight of an approval for investment strategies.</p>
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			<p>In addition, the following rules inter alia mirror requirements according to the MiFID II Delegated Directive:</p> <p>Art. 9 UCITS Implementing Directive requires managements' oversight of an approval for investment strategies. Furthermore, UCITS-Directive provides for a product regulation with a view on investor protection and requires each UCITS to be authorised by its NCA (Art. 5 UCITS-Directive). In addition, the following rules inter alia mirror requirements according to the MiFID II Delegated Directive:</p> <p>Conflicts of interest Art. 14 AIFMD, Art. 30 et seq. AIFM Regulation Art. 17 et seq. of the UCITS Implementing Directive</p> <p>No adverse effect for clients Acting in investors best interest (Art. 17 AIFM Regulation) Acting in investors best interest (Art. 20 UCITS Implementing Directive)</p> <p>Consider thread to function or stability of financial markets Art. 17 AIFM Regulation</p>
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			<p>E.g. Art. 22 para. 2 UCITS Implementing Directive</p> <p>Competent staff Art. 22(1) AIFM Regulation Art. 5(1) UCITS Implementing Directive</p> <p>Oversight management body Art. 60 AIFM Regulation Art. 9 UCITS Implementing Directive</p> <p>Compliance function Art. 61 AIFM Regulation Art. 9(2)(c) UCITS Implementing Directive</p> <p>Scenario analysis Art. 45 AIFM Regulation Art. 40(2) UCITS Implementing Directive</p>
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			<p>Charging structure</p> <p>Art. 17 (2) AIFM Regulation</p> <p>Art. 22(4) UCITS Implementing Directive</p> <p>Material events</p> <p>Risk management, e.g. Art. 15 AIFMD</p> <p>Risk management, e.g. Art. 12 UCITS Implementing Directive</p> <p>Identification of the target market</p> <p>PRIIPs Regulation already requires identification of targeted retail investor.</p> <p>Accordingly, the gap analysis would have to be amended and the requirement be made for management companies to be subject to sectoral legislation rather than comply with the MiFID rules on product governance, which should be removed. It would therefore be useful if Technical Advice 2 also referred to UCITS and AIFMD product governance rules.</p>
155.	FECIF	Technical Advice 2 (p21)	<p>Technical Advice 2. Application of Product Governance Rules.</p> <p>We support the proposed Technical Advice 2, i.e. all manufacturers of EOS PRIIPs shall comply with the respective MiFID II or IDD product governance rules: existing rules for PRIIPs in general are sufficient for the purposes of sound regulation of EOS PRIIPs, provided that they are interpreted according to the specific nature of EOS objectives.</p>
156.	German	Technical	We explicitly reject the extension of the Product Governance rules under MiFID II and the IDD to

	Banking Industry Committee	Advice 2 (p21)	PRIIPs, which do not fall within the scope of application of the respective specifications. Under the UCITS Guideline / AIFMD, there are already similar procedures involving compliance aspects, conflicts of interest, etc. A product approval procedure for EOS PRIIPs would impede the harmonization of rules for funds / PRIIPs and would in turn result in a disadvantage for EOS PRIIPs in relation to other funds / PRIIPs / Non-PRIIPs.
157.	German Insurance Association	Technical Advice 2 (p21)	<p>We agree that regulatory requirements on PRIIPs which declare certain EOS objectives in the KID should apply to all manufacturers. Accordingly , EIOPA should strive to ensure a level playing field between all the providers in this regard.</p> <p>We would, however, like to point out that the deadline for the transposition of the Product Governance Rules under IDD runs until 23 February 2018 (Article 42(1) IDD) while the application date of the PRIIPs Regulation is 1 January 2018. The application dates set in IDD should be respected.</p> <p>Furthermore, breaches of the POG rules are subject to the sanctions regime stipulated in MiFID and IDD. The rule proposed by the ESA may result in the parallel application of Articles 22 to 29 of the PRIIPs Regulation. In order to avoid double sanctioning of breaches, it should be made clear, that the application of Articles 22 to 29 of the PRIIPs Regulation is not intended with regard to breaches of rules on POG.</p>
158.	Insurance Europe	Technical Advice 2 (p21)	<p>It is important that a level playing field between all the providers is ensured.</p> <p>Insurance Europe wishes to point out that the deadline for the transposition of the POG Rules under IDD runs until 23 February 2018 (Article 42(1) IDD), whereas the application date of the PRIIPs Regulation is 1 January 2018. The application dates set in IDD should be respected. Furthermore, breaches of the POG rules are subject to the sanctions regime stipulated in MiFID and IDD. The rule proposed by the ESA may result in the parallel application of Articles 22 to 29 of the PRIIPs Regulation. It should be clarified that double sanctioning of breaches is not intended.</p>

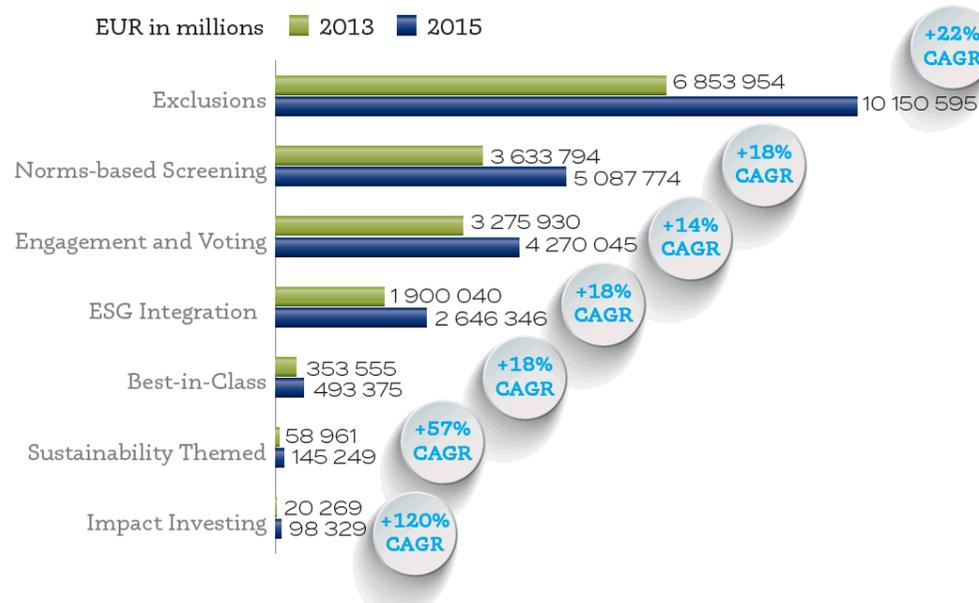
159.	Lieve Lowet, consumer of EOS PRIIPs	Technical Advice 2 (p21)	<p>This proposed principle requires compliance with IDD or MIFID product governance rules. While this may sound laudable, it should be noted that as far as IDD is concerned, these product governance rules (especially relevant for insurance undertakings) are not yet finalized which makes a reference to non-existing legal instruments premature (see the Commission’s website which states: There are currently no implementing or delegated acts related to this directive.).  <a href="http://ec.europa.eu/info/amending-and-supplementary-acts/implementing-and-delegated-acts_en">http://ec.europa.eu/info/amending-and-supplementary-acts/implementing-and-delegated-acts_en</a></p> <p>Reference to Guidelines which in addition are preparatory, is not relevant either as these preparatory guidelines have been overtaken by the entry into force of the IDD directive. Furthermore, technical advice on a L2 delegated act should not be used to cast into stone ‘soft law’ interpretations laid down in guidelines).</p> <p>Therefore, future delegated acts should only refer to the L1 texts ( such as art 40 SII), if that is even needed, as this seems superfluous.</p>
160.	London Stock Exchange Group	Technical Advice 2 (p21)	LSEG supports this proposal.
161.	Mirova	Technical Advice 2 (p21)	- No comment
162.	Schroder Investment Management Ltd	Technical Advice 2 (p21)	<p>Please see our comments in the general section. We suggest TA2 is amended in the following way given the product validation requirements of UCITS funds and where an AIF must comply with the same product validation procedures for retail AIFs.</p> <ol style="list-style-type: none"> <li>1. All manufacturers.....</li> <li>2. By way of derogation to paragraph 1, UCITS management companies and AIF management companies who are permitted to sell AIFs to retail investors under the same product validation process as UCITS management companies in their home State do not have to comply with the MiFID product governance rules.</li> </ol>

163.	sriServices	Technical Advice 2 (p21)	<p>Agree – but be mindful of costs associated with EOS specific proposals which could act as a disincentive for fund providers and others to offer such (beneficial and useful) options. (see point 5, page 21).</p> <p>I would recommend avoiding the use of the term ‘objectives’ (except for when outcomes can truly be measured) . Fund managers have specific ‘aims’ and policies which are likely to bring positive outcomes but are typically not able to guaranteed specific measurable outcomes for a portfolio.</p> <p>This is why the sector talks about ‘aims’ and refers investors to ‘policies’ and ‘criteria’ – these are to keep the presentation of funds realistic and not misleading...</p> <p>They are not intended to mislead, to the contrary text is often necessarily somewhat vague in order to retain integrity as outcomes can not be guaranteed for a range of reasons. (see point 6, page 21).</p> <p>It is useful to have objectives where practical – but by ‘over promising’ a manager would sew the seeds of potential misselling and distrust.</p> <p>Also see ‘General Comments’ response.</p>
164.	Swedish Investment Fund Association (SIFA)	Technical Advice 2 (p21)	<p>As has been explained above SIFA also questions the conclusion of the ESA :s as stated in Section 4 that all manufacturers of EOS Priips should comply with MIFID II or IDD. The different sectoral legislation has dealt with product governance issues in different ways due to the differences in the products. This should be taken into consideration when comparing the rules.</p>
165.	The Actuarial Association of Europe	Technical Advice 2 (p21)	<p>We agree with the approach set out in the consultation paper on leveaging existing product governance and oversight requirements. We think this should be both an efficient and effective approach.</p>

166.	The Norwegian Consumer Council	Technical Advice 2 (p21)	<p>The Norwegian Consumer Council support introducing requirements on PRIIPs with environmental or social objectives. Relevant detailed additional information should be provided within the framework of existing and well-known investor documents, and preferably in an unbureaucratic way.</p> <p>The aim must also be to support investment managers with a clear and simple way to communicate the environmental or social profile and the investment strategy of a PRIIP.</p>
167.	Triodos Bank NV	Technical Advice 2 (p21)	<p>Application of Product Governance Rules All manufacturers of EOS PRIIPs shall comply with the MiFID II or IDD product governance rules, depending on the product being a financial instrument, structured deposit or an insurance-based investment product.</p> <p>Yes, and because manufacturers of EOS PRIIPS shall comply with (additional) product governance rules, it should be clear about why it calls itself an EOS product, and give adequate information to the extent that it is an EOS product and how the product governance will make sure that EOS objectives will reasonably be met during the lifetime of the product.</p>
168.	WWF European Policy Office	Technical Advice 2 (p21)	<p>WWF supports the importance of ensuring consistency regarding governance requirements across different Directives, including EOS PRIIPs.</p>
169.	ALFI Association of the Luxembourg Fund Industry	Technical Advice 3 (p22)	<p>Product Rules</p> <p>Section (4)(2) of the consultation paper suggests that the PRIIPs Regulation would prohibit a PRIIP from mentioning any EOS objectives in its documents (other than its KID) if not also mentioned in its KID. We respectfully disagree with this reading: the Regulation only prevents a PRIIP from referring to EOS objectives in its KID if it does not comply with the upcoming delegated act, but it does not prevents a PRIIP from having certain social/environmental objectives without referring to them in its KID (as long as its KID is not misleading).</p> <p>We therefore strongly recommend to amend “Technical Advice 3” by adding the terms “in their KIDs”</p>

			<p>after the words “All PRIIP manufacturers that claim to pursue environmental or social (EOS) objectives”. We believe that this would be in line with the mandate from the European Commission to the Joint Committee, as their advice shall apply “where a Key Information Document (KID) states that a PRIIP targets environmental or social objectives”.</p> <p>If it was decided to continue with the current reading, the prohibition would need to be further clarified. For instance, would it be allowed to refer to certain EOS criteria even if no EOS objectives have been set? How to draw the line between investment objectives and investment criteria in this case? The SRI market could be dramatically affected if PRIIPs which apply ancillary EOS criteria were no longer allowed to disclose them in any of their documents.</p> <p>We understand and support the need to avoid “green washing” but believe the scope of this advice should be limited to ensuring that PRIIP KIDs are not misleading. It should not extend to product regulation. The objective to avoid green washing should be subject to another mandate, covering more broadly the SRI sector. For level playing field, PRIIPs should not be prevented from disclosing ancillary social or environmental criteria/objectives, if other products (i.e. UCITS) are not subject to the same rules whereas they represent a significant part of the SRI retail market.</p> <p>Supporting SRI generally</p> <p>ALFI shares the Joint Committee analysis that the SRI market currently covers PRIIPS (and UCITS) pursuing EOS objectives through very different strategies.</p> <p>Below is an extract of the Eurosif SRI Study 2016 that shows that impact investing remain really small compared to ESG integration or sustainability theme (<a href="http://www.eurosif.org">www.eurosif.org</a>).</p>
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Figure 1: Overview of SRI Strategies in Europe



ALFI believes that each strategy has its own merits and that it would not be good for investors, nor fair to managers, to prohibit the use/disclosure of EOS criteria/objectives by players who do not carry out impact strategies. What should prevail is not to exclude certain strategies, but to ensure that the KID content is not misleading (i.e. that it is supported by appropriate documentation). ALFI therefore does not support the idea that only impact strategies should be permitted to be disclosed in KIDs. PRIIPs applying ESG criteria, for instance, should also be allowed to refer to it in their KIDs.

The draft "Technical Advice 3" suggests that EOS PRIIPs manufacturers shall ensure that the money invested via their PRIIPs are predominantly employed for the achievement of the stated EOS objectives. This would cover impact strategies only, as the other SRI players do not primarily pursue

			<p>an EOS objective (i.e. they do not “predominantly” invest “for the achievement” of any EOS objective). We believe that these PRIIPs should not be obliged to choose between (i) the obligation to comply with the new EOS regime; or (ii) to stop mentioning any EOS criteria in their documents.</p> <p>We therefore recommend to amend “Technical Advice 3” by deleting the last 2 sentences.</p>
170.	AMAFI	Technical Advice 3 (p22)	<p>We are concerned that current drafting of the Technical Advice 3 could have a detrimental impact on the currently developing offer of EOS products.</p> <p>Indeed, this drafting does not seem to take into account key ESG approaches:</p> <ul style="list-style-type: none"> <li><input type="checkbox"/> EOS strategy should be defined positively (this product only invests in... or selects assets that...) or negatively (this product does not invest in...or selects assets that do not...);</li> <li><input type="checkbox"/> EOS products could have several objectives which are not exclusively EOS ones as long as these objectives are not inconsistent with the EOS criteria (for example, a product which is invested in best performing assets which are not directly or indirectly linked to the nuclear sector)</li> <li><input type="checkbox"/> For several EOS products that track the performance of underlying assets, the promotion of EOS companies or projects may rely on indirect investments. In such a case, these investments will result from the global hedging on the underlying markets of the concerned securities. Also it must be noted that in order to offer capital protected products this hedging approach is required.</li> </ul> <p>In light of all our above comments, notably on the need to adopt a broad view of EOS objectives, we believe that the last two sentences of the Technical Advice should be modified as follows: “All PRIIP manufactures shall ensure that the money invested via the PRIIP are employed directly or indirectly for the achievement of the stated EOS objectives. None of the funds underlying the EOS PRIIP must undermine the stated EOS objectives”.</p>

171.	ANASF	Technical Advice 3 (p22)	<p>Technical Advice 3. Adherence to Investment Objectives.</p> <p>We agree with the proposed Technical Advice 3: all PRIIPs that claim to pursue EOS objectives need appropriate product governance procedures to ensure the adherence to these investment objectives. Specifically, we also support the requirement providing for an “appropriate and proportionate” application of these product governance procedures.</p>
172.	Association Française de la Gestion financière - A	Technical Advice 3 (p22)	OK as long as the scope is limited to funds with clear ESG objectives.
173.	Association of International Life Offices (AILO)	Technical Advice 3 (p22)	Agreed provided that such specific governance procedures apply solely to the EOS manufacturer and are not passed on to the MOP provider.
174.	Aviva Investors	Technical Advice 3 (p22)	There seems to be significant focus on the impact of investing in a EOS PRIIP as opposed to the ESG integration in the investment decision making procedure. Rules on EOS PRIIPs should not require manufacturers to apply an impact investment strategy but should recognise all generally accepted Responsible Investment strategies as strategies for EOS products if those are part of the formal investment strategy. In this respect, we are concerned that technical advice 3 could be understood as a requirement for impact investing.
175.	BVI Bundesverband Investment und Asset Management	Technical Advice 3 (p22)	Technical Advice 3 is decisive for the definition of what constitutes an EOS PRIIPs. Although the ESAs recognise the different responsible investment strategies and specifically claim that the regulatory measures set out in the technical advice in section 4 reflect this diversity of possible EOS PRIIPs, the proposed technical advice does not. In particular the requirement to employ the money invested for the achievement of the stated EOS objectives indicates that the investment objective has to be the achievement of an impact. While all RI strategies may achieve an impact over time, the only strategy really targeting such impact is Impact Investing. It is crucial that the ESAs clarify whether all RI strategies described in the consultation in line with Eurosif research will be recognised as strategies for EOS PRIIPs. This decision will define the future of EOS PRIIPs. Although Impact Investing is the fastest growing RI strategy according to Eurosif research, in terms of assets it is still the smallest strategy. RI strategies other than Impact Investing usually do not allow for any measurable achievement of EOS

			objectives. Accordingly, we suggest that the ESAs delete the second and the third sentence. Should the ESAs consider all RI strategies described in the consultation as strategies for EOS PRIIPs, the requirement in the first sentence of the Technical Advice 3 should be sufficient. This requirement, however, should not prevent investment fund manufactures from adjusting an investment strategy during the lifetime.
C 176.	Confidential comment	Technical Advice 3 (p22)	Confidential comment.
177.	Ecofi Investissements	Technical Advice 3 (p22)	The reporting model of the PRIIP manufacturers who claims to offer SRI products should contain some quantitative data about ESG performance which have been evaluated as the most strategic (ex. CO2 emissions, equal opportunities).
178.	European Fund and Asset Management Association (EF	Technical Advice 3 (p22)	<p>EOS and non EOS PRIIPs should be treated equally for their adherence to investment objectives.</p> <p>Technical Advice 3 is decisive for the definition of what constitutes an EOS PRIIPs. Although the ESAs recognise the different Responsible Investment strategies and specifically explain that the regulatory measures set out in the Technical Advice in section 4 reflect this diversity of possible EOS PRIIPs, the proposed Technical Advice does not. In particular, the requirement to use the money invested for the achievement of the stated EOS objectives indicates that the investment objective has to be the achievement of an impact. While all responsible investment strategies may achieve an impact over time, the only strategy really targeting such impact is Impact Investing. According to Eurosif research, although Impact Investing is the fastest growing responsible investment strategy, it is still the smallest strategy in terms of assets. Responsible investment strategies other than Impact Investing usually do not allow for any measurable achievement of EOS objectives. We would therefore suggest that the ESAs delete the second and the third sentence. Should the ESAs consider all responsible investment strategies described in the consultation as strategies for EOS PRIIPs, the requirement in the first sentence of the Technical Advice 3 should be sufficient. This requirement, however, should not prevent investment fund manufacturers from adjusting an investment strategy during the lifetime.</p>

			<p>We would also like to point out the limitations of the proposal for EOS PRIIPs tracking an index, in particular the requirement that the non-financial investment objectives are adhered to during the lifetime of the EOS PRIIP. EOS PRIIPs tracking an index define a basket of companies which at the start of the product comply with EOS objectives. The KIID of these structured products makes clear to the investors that selection of the companies with respect to their compliance with EOS objectives has been made only at the inception of the product. It is in the nature of index tracking products that active management is not possible after launch. It can therefore not be completely ruled out that during the life of such product one company in the underlying basket will breach the EOS objectives. While the fund document could state, for example, that the investor will be informed when an underlying asset in the basket does not longer fit with the EOS requirement, it is impossible to guarantee that all underlying investments remain EOS during the lifetime.</p>
179.	Eurosif	Technical Advice 3 (p22)	<p>Following up on our earlier comment, referring to 'effective and predominant' typically refers to a methodological approach that is linked with the notion of impact investing and Green Bonds 'use of proceeds'. It is important to consider that there are different SRI related strategies that can be used and in this case, manufacturers would need to differentiate between different types of EOS objectives and therefore differentiate between EOS objectives and EOS impacts is key. Therefore, we would suggest referring to SRI strategies more generally.</p>
180.	FECIF	Technical Advice 3 (p22)	<p>Technical Advice 3. Adherence to Investment Objectives.</p> <p>We agree with the proposed Technical Advice 3: all PRIIPs that claim to pursue EOS objectives need appropriate product governance procedures to ensure the adherence to these investment objectives. Specifically, we also support the requirement providing for an "appropriate and proportionate" application of these product governance procedures.</p>
181.	German Banking Industry Committee	Technical Advice 3 (p22)	<p>The formulation of TA 3 "non-financial objectives" implies a so-called impact strategy, which is applicable to the vast majority of "Socially Responsible Investments" (RI funds). However, the disclosure of regular ESG objectives cannot be part of the static Investment Policy Statement (IPS) document. It should also be borne in mind that there are currently no generally accepted standards or benchmarks for defining the various sustainability objectives.</p>
182.	German Insurance Association	Technical Advice 3 (p22)	<p>Technical advice establishes that the money invested via the PRIIPs is effectively and predominantly employed for the achievement for the stated EOS objectives. However, the PRIIPs Regulation only states that manufacturers can target "specific" EOS objectives, without specifying the extent of such an</p>

			<p>investment. The requirement in TA 3 should be, therefore, deleted. Otherwise it would limit the product variety in an inappropriate manner.</p> <p>At least, the concept of “predominantly” should be deleted.</p>
183.	Insurance Europe	Technical Advice 3 (p22)	<p>The Technical Advice 3 establishes that the money invested via the PRIIPs is effectively and predominantly employed for the achievement for the stated EOS objectives. However, the PRIIPs Regulation only states that manufacturers can target “specific” EOS objectives, without specifying the extent of such an investment.</p> <p>The ESAs state that “none of the funds underlying the EOS PRIIP must undermine the stated objectives”. However, there are multi-option products (MOPs) with both underlying options that target EOS objectives and underlying options that don’t. In such cases, it should be allowed to inform the customer that the MOP in itself is not an EOS product, but that some of the underlying options do target EOS objectives.</p> <p>The nature of structured investment products (quite common in some markets) is that all terms and conditions (including the exact assets invested in) are agreed upon before subscription and are very difficult to change during the lifetime of the product. It is possible that, at the time of subscription, this tupe of product would qualify as an EOS PRIIPs, for example when it invests in companies involved in renewable energy. What would happen however if, during the lifetime of the product, one of the companies it invested in decides to change its business activities and focus on fossil fuels? It should be noted that the insurer is not always able to alter these investments. Therefore, Insurance Europe calls on the ESAs to allow for some flexibility, while agreeing that the investor should be alerted of such changes, for example by pointing out this possibility under the possible “constraints” to be mentioned in the IPS (cf. technical advice 4).</p>
184.	Intesa Sanpaolo Vita S.p.A.	Technical Advice 3 (p22)	<p>When a Multi Option Product is concerned, we think it would be helpful to clarify how “effectively and predominantly” should be determined; given that a MOP can invest in a number of different underlying (e.g. separate account, UCITS funds, Internal Funds).</p>

			In view of that, we deem necessary to clarify how the “effectively and predominantly” requirement can comply with the requirement that “None of the funds underlying the EOS PRIIP must undermine the stated EOS objectives’ for MOPs.”
185.	Lieve Lowet, consumer of EOS PRIIPs	Technical Advice 3 (p22)	As an EOS consumer/retail investor, this overall principle is welcomed. Although this seems obvious, the EOS objectives which should be clearly defined, should be adhered to by the manufacturer. There should however be additional clarity about the proportion of money which is not invested for the achievement of the stated EOS objective. But the element that none of the funds must undermine the stated EOS objective is reassuring.
186.	London Stock Exchange Group	Technical Advice 3 (p22)	LSEG supports this proposal and recommends that ESG disclosure related to the underlying assets is included in the technical advice. The key governance procedure put in place is to demonstrate to retail investors that the money they invested is used to achieve the EOS objectives.
187.	Mirova	Technical Advice 3 (p22)	<p>Stating that „all PRIIPs shall ensure that the money invested via the PRIIPs are effectively and predominantly employed for the achievement of the stated EOS objectives” seems to mean that all PRIIPs with EOS objectives are impact-oriented.</p> <p>With the different shades of SRI, this is not the case and they may sometimes slightly go beyond mere exclusion strategies. Therefore the need to differentiate the two main types of EOS objectives (limiting risks vs investing on sustainable opportunities) is pivotal.</p> <p>Use of proceeds and more generally governance rules should apply when no label is available. Principles such as the Green Bonds Principles could serve as a basis for governance rules.</p>
188.	Schroder Investment Management Ltd	Technical Advice 3 (p22)	In order to ensure the technical advice meets the requirement of the Commission mandate and the Regulation (article 8(4)), we suggest the word “target specific” is added instead of the word “pursue” in the first line.
189.	sriServices	Technical Advice 3 (p22)	Agree – but the last sentence in the blue TA3 box is inappropriate.

			<p>A fund manager can not 'guarantee' that 'non of teh funds underlying their fund will underind the stated EOS objectives.</p> <p>This is a failure to recognise the reality that investment is made in diverse adn dynamic companies that collectively change strategies and structres on an ongoing basis. Fund managers are not (for example) given advance notice of corporate restructures, mergers or other market sensitive information and so need to be able to deal with situations as they arise. (In line with stated policies, aims etc).</p> <p>Instead - information published by fund managers must reflect their lack of absolute control over investee companies and not imply their funds are a panacea. They should set out the way in which they deal with 'undesirable' changes as they occur (eg annual reviews, possible engagement strategies and circumstances in which holdings should be sold.)</p> <p>Also see 'General Comments' response.</p>
190.	Swedish Investment Fund Associaiton (SIFA)	Technical Advice 3 (p22)	<p>SIFA is questioning the reasoning of the ESA :s when stating that the money invested are only used to ensure the EOS objectives. Sustainable investments may have as its objective to reach a specific impact but direct impact is often very hard to prove. Sustainable investments might, however, have an impact over time. Other reasons for pursuing a particular sustainable investment strategy is that investors might not want to invest into certain areas. Such investments, even though they are sustainable, might not have any direct impact at all but the investment strategy is still very relevant to the investors and should be highlighted in the Priips KID.</p> <p>SIFA is highly sceptical to the statement by ESA on p. 25 paragraph 18 that negative strategies might not be sufficient. Ruling out such strategies from the Priips KID will hinder the developement of sustainable investments and discourage manufacturers of Priips products from pursuing EOS strategies.</p>
191.	SYCOMORE	Technical	Strong Yes.

	ASSET MANAGEMENT	Advice 3 (p22)	
192.	The Actuarial Association of Europe	Technical Advice 3 (p22)	This piece of advice talks of « stated non-financial investment objectives ». Talking of EOS as non-financial is to some extent misleading. In the context of the Non-financial disclosure directive the term is understandable as financial disclosure has a clear meaning in financial reporting. But in PRIIPs we think it would not be necessary to call EOS as non-financial. In any case sustainability is thought to be also financially essential in a longer term.
193.	The Norwegian Consumer Council	Technical Advice 3 (p22)	It is essential that investment products follow appropriate governance procedures. This is important not only in order to ensure that the stated non-financial investment objectives are adhered to during the lifetime of the EOS PRIIP, but also in order to ensure long-term investor confidence.
194.	Triodos Bank NV	Technical Advice 3 (p22)	<p>Adherence to Investment Objectives All PRIIP manufacturers that claim to pursue environmental or social (EOS) objectives shall establish, implement and maintain, in a way that is appropriate and proportionate, product governance procedures to ensure that the stated non-financial investment objectives are adhered to during the lifetime of the EOS PRIIP.</p> <p>All PRIIP manufactures shall ensure that the money invested via the PRIIP are effectively and predominantly employed for the achievement of the stated EOS objectives. None of the funds underlying the EOS PRIIP must undermine the stated EOS objectives.</p> <p>Yes. Moreover, the EOS objectives should be clearly defined and not be 'soft' ('we aim for...(.)') and the product governance procedures should accordingly be clear and explicit in order to make sure that the EOS objectives are reasonably met.</p>
195.	WWF European Policy Office	Technical Advice 3 (p22)	<p>WWF agrees with the ESAs technical advice on PRIIP manufacturers claiming to pursue EOS objectives have to establish, implement and maintain product governance procedures to ensure they stay attached during the lifetime of the EOS PRIIP. It's a way of ensuring the retail investor will have the necessary information to make the investment decision.</p> <p>However, we believe that to ensure that a PRIIP with EOS objectives 'does what it's supposed to do', apart from having appropriate governance procedures, an ESG definition clarifying ESG sector-specific standards/criteria will be very useful not only for this specific issue, but for other EU financial legislations that contain ESG requirements. It's a way of, as said in the ESAs text, 'preventing the</p>

			<p>setting of vague green or social objectives that have little substance or significance’ or in our words avoiding ‘green-washing’ which is a big risk if it’s not defined.</p> <p>Thanks to this definition, it can really be ensured that the money invested via this PRIIP will be employed for the achievement of the stated EOS objectives because the green or social objectives will be robust enough to avoid ‘green-washing’, both setting the objectives and using the money to achieve these objectives.</p>
196.	2 degree Investing Initiative	Technical Advice 4 (p23)	<p>We suggest to more precisely define the notion of impact and to include it directly in the definition of the « scope of the EOS objectives » subdividing the scope into the two presumed objectives of retail investors, as described in the introduction (p.9) : 1) Alignment with values and 2) creating an impact on society.</p> <p>The following wording is suggested :</p> <p>Manufacturers of EOS PRIIPs shall establish, as part of the manufacturing process, an investment policy statement (IPS), specifying in detail the scope of the EOS objectives that are being targeted as well as the constraints. The objectives shall be clearly subdivided in two categories (1) Alignment with a specified set of values and (2) Creation of an impact on the society or the real economy. One or both objectives may be targeted by EOS PRIIPs. However, if achieving impact is not an objective by the EOS PRIIPs, this needs to be clearly indicated to the client. The IPS shall ensure transparency and credibility of the S&amp;E objectives set by the manufacturer. ...</p> <p>The IPS shall explain in detail to retail investors, by using language that is understandable and clear, what exact impact on the real economy/society is aimed at by the investment and why a just and equitable person would regard this as an environmental or social objective. Furthermore the IPS shall explain the investment strategy and, where applicable, its translation into the (allocation of) assets behind the EOS PRIIP. ...</p> <p>It is important to clarify that an having an impact on the real economy or the society in a wider sense is the purpose. Without this clarification, “having impact” can be interpreted simply as having an impact at the portfolio level (i.e. triggering a reorganisation/reallocation of the portfolio according to defined values) which however does not necessarily translate into any impact on the real economy (see</p>

			<p>for example Smith School of Enterprise and the Environment, 2013: Stranded assets and the fossil fuel divestment campaign: what does divestment mean for valuation).</p> <p>We believe the distinction of objectives between value-alignment impact creation is important as the two objectives necessitate potentially very different investment strategies to be achieved. The alignment with values can potentially be achieved with relatively simple investment strategies (e.g. opposition to certain economic activities (coal, nuclear) or practices (child labour, corruption), can be achieved by exclusion filters). However the creation of a positive impact on the real economy / the society demands generally much more sophisticated investment strategies (which may include taking higher risks) and will also need additional resources for monitoring procedures and controls. Not all EOS PRIIPs may be able to claim to create such an impact or only in a very indirect way which is very hard to demonstrate. However, they may be able to respond to a clear value set, that corresponds to a customer demand.</p> <p>Reducing the definition of EOS PRIIPs to only those that can demonstrate impact risks, either to dramatically reduce the number of products offered on the market (if the guidance is strictly implemented as currently few products are likely to be able to prove impact on the real economy/society) or to a behaviour of wriggling around this requirement and thus encouraging potential green washing in the sense of "impact pretention". This risk is especially high given the absence of agreed definitions and the choice to follow a principle based approach.</p> <p>Asking manufacturers of EOS PRIIPs to specify if their product is supposed to create a positive impact on the real economy and the society or not (and if yes, how), may however create the following beneficial effects:</p> <p>1) Transparency for the customer: More clarity on which of their objectives are actually catered for. It becomes clear which products actually do create an impact and which products are "only" value-aligned.</p>
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			<p>2) Potential stimulation of a positive competition for developing products that can actually claim to create an impact.</p> <p>3) Stimulation of research around tools and metrics to better measure and quantify such impact.</p> <p>4) Resistance of the industry may be reduced, as they will be able to continue offering « value aligned » EOS PRIIPs and the administrative burden for these will be significantly lower (given that impact does not need to be demonstrated as no impact is claimed).</p>
197.	ALFI Association of the Luxembourg Fund Industry	Technical Advice 4 (p23)	We recommend to align the wording between advice 3 and 4 and to use “allocation of assets” (advice 4) instead of “funds” (advice 3).
198.	AMAFI	Technical Advice 4 (p23)	<p>While AMAFI supports transparency and disclosure, we are not convinced by the necessity of requiring a new separate document for the ‘Investment Policy Statement’ which seems inconsistent with this consultation statement on page 6 that says that “new documents are not needed for this”. For instance, prospectuses could be an appropriate means for transmitting information about Investment Policy to retail investors.</p> <p>However, in line with comment provided in question 1, AMAFI would be in favour of a great transparency towards retail investors about approaches and methodologies used to declare the PRIIP as an EOS PRIIP. This transparency could be done by any means available including existing required documents.</p>
199.	ANASF	Technical Advice 4 (p23)	<p>Technical Advice 4. Establishment of an Investment Policy Statement.</p> <p>We agree with the proposed Technical Advice 4, particularly the requirement that the IPS shall: 1) use language that is understandable and clear; 2) explain the investment strategy and, where applicable,</p>

			its translation into the (allocation of) assets. We also support the proposal concerning the possibility that the IPS may take into account certain elements set out in transparency codes promoted by the financial industry (e.g. the Eurosif Transparency code).
200.	Association Française de la Gestion financière - A	Technical Advice 4 (p23)	OK as long as the scope is limited to funds with clear ESG objectives.
201.	Association of International Life Offices (AILO)	Technical Advice 4 (p23)	Agreed again provided this a responsibility of the EOS manufacturer. The MOP provider will analyse the IPS as part of the due diligence process to assess whether to permit access to the underlying within its product.
202.	Aviva Investors	Technical Advice 4 (p23)	Technical Advice 4 & 5 details an 'Investment Policy Statement (IPS)' for PRIIPs with environmental or social objective (EOS) that retail investors should be able to access prior to their investment decision (this could be via sign posting to a web site or inclusion in the prospectus). While the consultation states at the outset that new documents are not required for outlining EOS objectives in the PRIIPs KID, this is contradicted in Technical Advice 4 where reference is made to an 'Investment Policy Statement' which requires compliance with several qualitative requirements. We would welcome clarification on this.
203.	BVI Bundesverband Investment und Asset Management	Technical Advice 4 (p23)	As already described (see above the comment to Technical Advice 1), we are concerned about the introduction of a new disclosure requirement which is not foreseen in the PRIIPs Regulation. The investment strategy is the core element of the fund documentation. Also in this regard, the Commission's approach in the request for advice is right in only requiring additional procedures where the existing ones are not sufficient. The rules for the investment strategy, the transparency on this as well as the adherence to the investment strategy are core parts of the fund regulation. Hence the IPS, if any, should in these cases not be an additional requirement, but already be fulfilled due to compliance with fund regulation. We appreciate, however, that the ESAs allow taking into account certain elements set out in industry initiatives' transparency codes. Although we are not sure that current reporting according to transparency codes could be used for such disclosure, we welcome the optionality.

C 204.	Confidential comment	Technical Advice 4 (p23)	Confidential comment.
205.	Ecofi Investissements	Technical Advice 4 (p23)	In the Investment Policy Statement it should be strategic also to give importance to the engagement activities implemented by the PRIIPs manufacturers. It should be underlined the kind of engagement activities, such as voting and dialogue, and the objectives that this activities would like to reach. It should be important to clarify for example if it is present a voting policy and the issues that it considers.
206.	European Fund and Asset Management Association (EF)	Technical Advice 4 (p23)	While the consultation states at the outset that new documents are not required for outlining EOS objectives in the PRIIPs KID, this is contradicted in Technical Advice 4 where reference is made to an 'Investment Policy Statement' which requires compliance with several qualitative requirements. EFAMA believes that the investment policy is a central part of the UCITS prospectus and the AIF fund documentation, and the qualitative requirements of those are sufficient. The statement on responsible investing in the EOS PRIIP KID will also meet the qualitative requirements that are required of any PRIIP KID. There should not be any further requirement for an EOS PRIIP as it should be treated the same as a non EOS PRIIP. We appreciate, however, that the ESAs allow taking into account certain elements set out in industry initiatives' transparency codes. Even though it is unclear whether current reporting according to transparency codes could be used for such disclosure, we welcome the optionality.
207.	Eurosif	Technical Advice 4 (p23)	Great emphasis is to be put on IPS. An IPS should be aligned with an existing standard currently in use and which has proven to be a reference point, if there is any reference at all, in the industry. The Eurosif Transparency Code, (the Code) has been used for over a decade by manufacturers that intended to give a SRI feature to their investments by incorporating ESG criteria. The Code gives the opportunity to retail SRI funds to clarify their SRI approach to investors and other stakeholders in an easily accessible and comparable format. Furthermore, the Code represents a common framework for transparency best practices which has been incorporated by France and Belgium for their SRI products. Today, over 700 funds are registered under the Code denomination.
208.	FECIF	Technical Advice 4 (p23)	Technical Advice 4. Establishment of an Investment Policy Statement. We agree with the proposed Technical Advice 4, particularly the requirement that the IPS shall: 1) use language that is understandable and clear; 2) explain the investment strategy and, where applicable,

			its translation into the (allocation of) assets. We also support the proposal concerning the possibility that the IPS may take into account certain elements set out in transparency codes promoted by the financial industry (e.g. the Eurosif Transparency code).
209.	German Banking Industry Committee	Technical Advice 4 (p23)	The introduction of an additional IPS is a requirement going beyond the PRIIPs Regulation and other regulations which discriminates against EOS PRIIPs as opposed to non-EOS PRIIPs and deviates from existing requirements. However, if a presentation of the EOS objectives of the PRIIP is nevertheless needed, it should be adapted to existing standards and terminologies (for example, for funds, to the Eurosif Transparency Code). Any assignment of the asset allocation of funds to ESG targets is, in our opinion, technically impossible. Thus, for example, an allocation of government bond holdings in mixed funds to the 17 SDGs that apply in full to each country does not constitute a meaningful allocation. An allocation of company shares to SDGs generates, partially owing to the absence of a comparable information base and possible double counting, no gainful additional information for consumers. Finally, an asset allocation must continue to be characterized by yield / risk aspects; other forms of representation are, in our opinion, misleading. Also, an explanation of which asset of a non-EOS UCIT makes what contribution to the fund's objective is not required in the annual reports. This too would lead to discrimination against the EOS-UCIT. In the Case of "passive investment products", an asset allocation is not foreseen and is therefore impossible.
210.	German Insurance Association	Technical Advice 4 (p23)	<p>We agree that the manufacturer of an EOS PRIIPs should establish a policy on the investment strategy in order for any EOS objectives described in the KID to be translated into practice. This policy should be recorded in an adequate way and should be available at all times for inspection by the national supervisory authority.</p> <p>However, the Level 1 text neither provides for a second investor information document in addition to the KID, nor does it envisage supplements to information obligations arising from other legal instruments. According to the PRIIPs Regulation, the KID shall include information on the "objectives [of the product] and the means for achieving them, [...] including, where applicable, specific environmental or social objectives targeted by the product" (Article 8 (3) (c) (ii) of the PRIIPs Regulation). In order to "specify the details of the procedures used to establish whether a PRIIP targets specific environmental or social objectives" (Article 8 (4) of the PRIIPs Regulation), the European Commission is furthermore empowered to adopt delegated acts. The European legislator intended the delegated act to provide particulars on the governance measures which ensure that EOS objectives are</p>

			<p>implemented as described in the KID. The level 1 text does not call for a separate information document which – irrespective of the way of disclosure to the retail investor – establishes additional rights and obligations under civil law between the manufacturer and the retail investor to be introduced on the basis of Article 8 (4) of the PRIIPs Regulation. This course of action is also not envisaged by the Commission call for advice. The Commission’s mandate clearly sets the establishment of a policy statement on EOS objectives as part of the governance system to ensure that the objectives described in the PRIIPs KID are implemented. The disclosure of the policy statement to the retail investor as part of a new pre-contractual information obligation is not part of the mandate. Any specific additional information on the EOS objectives which the manufacturers provide on a voluntary basis or on the basis of national regulation should be referred to in the section ‘Other relevant information’ of the KID.</p>
211.	Insurance Europe	Technical Advice 4 (p23)	<p>Insurance Europe agrees that the manufacturer of an EOS PRIIPs should establish a policy on the investment strategy in order for any EOS objectives described in the KID to be translated into practice. This policy should be recorded in an adequate way and should be available at all times for inspection by the national supervisory authority.</p> <p>However, the Level 1 text neither provides for a second investor information document in addition to the KID, nor does it envisage supplements to information obligations arising from other legal instruments.</p> <p>According to the PRIIPs Regulation, the KID shall include information on the “objectives [of the product] and the means for achieving them, [...] including, where applicable, specific environmental or social objectives targeted by the product” (Article 8 (3) (c) (ii) of the PRIIPs Regulation). In order to “specify the details of the procedures used to establish whether a PRIIP targets specific environmental or social objectives” (Article 8 (4) of the PRIIPs Regulation), the EC is furthermore empowered to adopt delegated acts.</p> <p>The European legislator intended the delegated act to provide particulars on the governance measures which ensure that EOS objectives are implemented as described in the KID. The level 1 text does not</p>

			call for a separate information document which establishes additional rights and obligations under civil law between the manufacturer and the retail investor to be introduced on the basis of Article 8 (4) of the PRIIPs Regulation. This course of action is also not envisaged by the EC call for advice. The EC mandate clearly sets the establishment of a policy statement on EOS objectives as part of the governance system to ensure that the objectives described in the PRIIPs KID are implemented. The disclosure of the policy statement to the retail investor as part of a new pre-contractual information obligation is not part of the mandate.
212.	Lieve Lowet, consumer of EOS PRIIPs	Technical Advice 4 (p23)	The suggested advice by the ESAs to increase the information beyond the KID, by establishing the obligation to establish an IPS, while the consultation refers to procedures used to establish whether a PRIIP targets specific EOS objectives is outside the scope of article 8,4. Therefore, what is more of interest to the consumer/retail investor is how the stated EOS objectives are complied with, and controlled.
213.	London Stock Exchange Group	Technical Advice 4 (p23)	LSEG supports this proposal and recommends that IPS "should" (instead of "may") take into account industry initiatives' transparency codes (eg UN PRI) in defining the manufacturing process and the investment strategy.
214.	Mirova	Technical Advice 4 (p23)	Having a coherence between regulations related to transparency codes, KID, and IPS requirements would increase the quality of information disclosed and help investment managers to be coherent. Again, to match retail investors' desired objectives, information provided should make the distinction between mere SRI / ESG integration on the one hand and sustainable impact investment on the other hand.
215.	Schroder	Technical	We consider TA4 should be clear in reflecting the policy proposed in the first indent of section 4 (draft

	Investment Management Ltd	Advice 4 (p23)	<p>technical advice on page 20).</p> <p>We provide the following amendments for consideration.</p> <p>Existing paragraph renumber as 1</p> <p>New paragraph 2. For UCITS funds, compliance with UCITS Annex 1 Schedule A paragraph 1.15 is considered an IPS under these guidelines”</p>
216.	sriServices	Technical Advice 4 (p23)	<p>Yes. This is welcome – however I recommend the following improvements :</p> <ul style="list-style-type: none"> <li><input type="checkbox"/> Do not use terminology such as ‘objectives’ too often – as this implies specific measurable outcomes (see comments in box 1). Measureable outcomes are desirable but complex and unpredictable – whereas ‘aims’ and ‘policies’ are more appropriate as they can be descriptors that are explained alongside appropriate caveats if needed.</li> <li><input type="checkbox"/> Avoid terms such as ‘exact impact’. Company situations are unpredictable and change constantly (see comments above). Fund managers can not predict ‘exact outcomes’ and clients should not be led to expect them. It is better and more realistic to refer to ‘policies’, ‘strategies’ and ‘aims’ - and therefore avoid misleading clients. ‘Intended/desired outcomes’ (or impacts) are also appropriate.</li> <li><input type="checkbox"/> Be aware investment is not an exact science. Data providers that imply it might be are liable to fuel individual investor dissatisfaction and mistrust – because company data is generally retrospective and often incomplete.</li> <li><input type="checkbox"/> The word ‘constraints’ has negative implications that for many retail investors these are welcome – and represent their reason for their investment choices particularly where strongly held personal ethical opinions and values are involved. Word such as ‘exclusions’ or areas of ‘avoidance’ are better.</li> </ul> <p>Please contact <a href="mailto:julia@sriServices.co.uk">julia@sriServices.co.uk</a> to discuss further if you wish.</p>



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			Also see 'General Comments' response.
217.	SYCOMORE ASSET MANAGEMENT	Technical Advice 4 (p23)	Strong Yes. Investors should have an access in detail to the scope of the EOS objectives that are being targeted as well as the constraints. This would give to the investors the opportunity to challenge the balance between objectives and constraints.
218.	The Actuarial Association of Europe	Technical Advice 4 (p23)	<p>We agree that the Investment Policy Statement should be written in clear language, and should outline why the investment is regarded as having an environmental or social objective. But we did not think that it was necessary to add a requirement that the Investment Policy Statement should explain 'why a just and equitable person would regard this as an environmental or social objective.' This additional wording of 'just and equitable person' may be interpreted differently by different manufacturers, and could suggest a level of detail in the Investment Policy Statement which may make the document less accessible to some retail investors.</p> <p>We also think that it is good that this piece of advice stresses the « exact impact ». Such impacts tend to be easier to understand than reference to, e.g., sustainability ratings etc. Also stressing impacts would probably increase the transparency of the products.</p>
219.	The Norwegian Consumer Council	Technical Advice 4 (p23)	<p>The Norwegian Consumer Council advocates transparency in financial markets in general and for financial investment products in particular. An IPS should provide guidance on how investment decisions will be made.</p> <p>The presence of an IPS helps to create an environment of transparency in the relationship between client and advisor, and may give a client a better understanding of what to expect from their advisor. Hence, an IPS will be an important tool for consumers and retail investors.</p> <p>However, it is essential that non-professionals are able to understand text that is provided in an IPS. The content must be written in a clear way and also arranged in a way that is useful for investors in determining whether the product actually meets their requirements. This must be ensured with user-</p>

			<p>testing.</p> <p>The goal must be to ensure that investment products meet investor wishes with regard to how ethics and sustainability are safeguarded. An IPS should enable retail investors to check if their desired EOS objectives are a match with the investment strategy of the PRIIP on offer.</p>
220.	Triodos Bank NV	Technical Advice 4 (p23)	<p>Establishment of an Investment Policy Statement Manufacturers of EOS PRIIPs shall establish, as part of the manufacturing process, an investment policy statement (IPS), specifying in detail the scope of the EOS objectives that are being targeted as well as the constraints. The IPS shall ensure transparency and credibility of the S&amp;E objectives set by the manufacturer. It shall enable retail investors to match their desired EOS objectives with the investment strategy of the PRIIP on offer. The IPS shall explain in detail to retail investors, by using language that is understandable and clear, what exact impact is aimed at by the investment and why a just and equitable person would regard this as an environmental or social objective. Furthermore the IPS shall explain the investment strategy and, where applicable, its translation into the (allocation of) assets behind the EOS PRIIP. This IPS may take into account certain elements set out in industry initiatives' transparency codes.</p> <p>Yes, but it should also be stated in the KID, as retail investors tend to base their decision on reading the KID only.</p>
221.	WWF European Policy Office	Technical Advice 4 (p23)	<p>WWF supports the establishment of an IPS where more granular information on EOS objectives can be found. The explanation of what exact impact is aimed at by the investment to the retail investor, and 'where applicable' its translation into the allocation of assets behind the EOS PRIIP it's an outcome that WWF would also want to see.</p> <p>As stated in the technical advice (point 8 – page 22) 'From the retail investor's perspective, candidate products qualify as EOS PRIIPs by a credible statement of the PRIIP manufacturer in relation to their investment objectives, but without including a definition of what 'EOS' means. This contrasts with products that are regulated in detail on what they can or cannot invest in and how this is done, for example, with the European Social and Entrepreneurship Funds (EuSEF)' and 'As the credibility of the manufacturer's statement needs to be objectively established without reference to a legally defined product standard ('no labelling')'. Again, WWF believes it's a failure of the ESA's advice and of the</p>

			<p>regulation not to include a definition of what 'EOS' means. This lack of clarity is something that makes investors confused – and will not be correctly integrated in their decision-making process.</p> <p>We also support that 'targeting EOS objectives implies that the money invested in the PRIIP are effectively and predominantly employed for the achievement of the stated EOS objectives' as a way of monitoring the compliance of the investment with the objectives.</p>
222.	ALFI Association of the Luxembourg Fund Industry	Technical Advice 5 (p24)	An EOS PRIIPs is a PRIIPs. The same requirements should apply across the board for any PRIIP, including when it incorporates EOS objectives.
223.	AMAFI	Technical Advice 5 (p24)	
224.	ANASF	Technical Advice 5 (p24)	<p>Technical Advice 5. Disclosure of Investment Policy Statement to Retail Investor.</p> <p>Concerning the proposed Technical Advice 5:</p> <p><input type="checkbox"/> it is of paramount importance that retail investors are able to access the IPS prior to their investment decision. We thus propose the following amendment to the Technical Advice:</p> <p>Retail investors should shall be able to access the IPS prior to their investment decision.</p> <p><input type="checkbox"/> the prospectus (when it is legally required) or other means up to the manufacturer's choice (e.g. its website) are appropriate to provide the IPS: new documents are not needed to convey information on EOS objectives. This approach makes it possible to avoid new unnecessary administrative burdens for manufacturers and distributors and prevent information overload for investors.</p>
225.	Association Française de la Gestion financière - A	Technical Advice 5 (p24)	OK
226.	Association of	Technical	This concurs with our reasoning in respect of Technical Advice 1. It follows that for consistency

	International Life Offices (AILO)	Advice 5 (p24)	references in Articles 12-14 of the RTS to where specific information can be found has to be interpreted to permit sign posting in the KID to the manufacturers website.
227.	Aviva Investors	Technical Advice 5 (p24)	EOS PRIIPs should not be treated differently to non EOS PRIIPs, as investors will need to understand the PRIIPs they are investing into.
228.	BVI Bundesverband Investment und Asset Management	Technical Advice 5 (p24)	<p>While we generally understand the idea that retail investors should be able to access the IPS prior to their investment decision, we again raise our concerns regarding the additional disclosure requirement. The requirements will come as an add-on to the disclosure requirements already foreseen in the sectoral legislation. Depending on the actual wording of such requirement, it could constitute a responsibility for the distributor which in fact could become a barrier to distribute EOS PRIIPs. At the very least, the ESAs should clarify that this is no additional information requirement at the point of sale but something which could be provided for with a reference in the PRIIPs KID alone.</p> <p>Furthermore, should the ESAs stick to the concept of IPS, it should be clear that there is a choice for manufactures to publish the IPS on the website even in case a prospectus is available. First, we think that today's investors are more likely to take a look at the website than at a prospectus. Secondly, publication of the IPS on the website allows for an easy adjustment of the IPS, if necessary. Clearly, a prospectus should contain information in line with the PRIIPs KID. However, the IPS on a website might give a more detailed outline of the RI policy.</p>
<b>C</b> 229.	<b>Confidential comment</b>	<b>Technical Advice 5 (p24)</b>	<b>Confidential comment.</b>
230.	Ecofi Investissements	Technical Advice 5 (p24)	Retail investors should be aware about the EOS strategies of the PRIIP before their investment decisions. Moreover retail investors should have the opportunity to understand how the PRIIP manufacturers monitor the management of EOS performance.
231.	European Fund and Asset	Technical Advice 5	While we generally understand the idea that retail investors should be able to access the IPS prior to their investment decision, we would again raise concerns regarding the additional disclosure

	Management Association (EF)	(p24)	<p>requirement. EOS PRIIPs should not be treated differently to non EOS PRIIPs. The requirements will come as an add-on to the disclosure requirements already foreseen in sectoral legislation. Depending on the actual wording of such requirement, it could constitute a responsibility for the distributor which in fact could become a barrier to distributing EOS PRIIPs. At the very least, the ESAs should clarify that this is not an additional information requirement at the point of sale but something which could be provided for with a reference in the PRIIPs KID alone.</p> <p>In addition, should the ESAs keep the concept of IPS, it should be clear that there is a choice for manufacturers to publish the IPS also on the website when a prospectus is available. Today's investors are more likely to look at the website than at a prospectus and publication of the IPS on the website allows for an easy adjustment of the IPS, if necessary. Clearly, a prospectus should contain information in line with the PRIIPs KID. However, the IPS on a website might give a more detailed outline of the responsible investment policy.</p> <p>We also do not agree with the subjective nature of the negative reference to exclusion strategies (paragraph 25). Exclusion strategies are the easiest to understand, were the first to be adopted when responsible investing began and are an excellent first step for any investor or asset manager wishing to start responsible investing. As explained in the EFAMA Responsible Investment Report (2016), exclusion strategies are understandably not without critics, however there is no legal basis for prohibiting or discouraging it.</p>
232.	FECIF	Technical Advice 5 (p24)	<p>Technical Advice 5. Disclosure of Investment Policy Statement to Retail Investor.</p> <p>Concerning the proposed Technical Advice 5:</p> <ul style="list-style-type: none"> <li><input type="checkbox"/> It is of paramount importance that retail investors are able to access the IPS prior to their investment decision. We thus propose the following amendment to the Technical Advice: Retail investors should shall be able to access the IPS prior to their investment decision.</li> <li><input type="checkbox"/> The prospectus (when it is legally required) or other means up to the manufacturer's choice (e.g. its website) are appropriate to provide the IPS: new documents are not needed to convey information on EOS objectives. This approach makes it possible to avoid new unnecessary</li> </ul>

			administrative burdens for manufacturers and distributors and prevents information overload for investors.
233.	German Banking Industry Committee	Technical Advice 5 (p24)	The German Banking Industry welcomes the fact that the additional information can be published in the Internet.
234.	German Insurance Association	Technical Advice 5 (p24)	see our reply to Technical Advice 4
235.	Insurance Europe	Technical Advice 5 (p24)	<p>See comments for Technical Advice 4.</p> <p>The Technical Advice 5 proposes the disclosure of Investment Policy Statement to retail investor. While it is true that the KID might not be sufficient to present all the specific characteristic of EOS PRIIPs, Insurance Europe considers that it would be difficult to illustrate the “positive externalities” to the potential retail investors (see paragraph 14) as the definition of “positive externalities” depend on numerous external factors independent from the manufacturers’ will.</p> <p>Insurance Europe also proposes the following change in the TA5:</p> <p>Retail investors should be able to access the IPS prior to their investment decision. This could be done by reference in the KID to the manufacturer’s website or, where applicable, to the prospectus to a document containing this information, provided that the information is accessible continuously for the lifetime of the PRIIP.</p>
236.	Lieve Lowet, consumer of EOS PRIIPs	Technical Advice 5 (p24)	The suggested advice by the ESAs to increase the information beyond the KID, by establishing the obligation to establish an IPS, while the consultation refers to procedures used to establish whether a PRIIP targets specific EOS objectives, is outside the scope of article 8,4. In addition, the draft reply

			suggests that it is the consumer/retail investor who needs to go beyond the KID. Was the KID not intended by lawmakers to give all relevant information at a glance? As a EOS consumer/retail investor, I would like to be treated equally with other retail investors who have all relevant information in the KID. The KID itself should contain the necessary information.
237.	London Stock Exchange Group	Technical Advice 5 (p24)	LSEG supports this proposal.
238.	Mirova	Technical Advice 5 (p24)	- No comment
239.	sriServices	Technical Advice 5 (p24)	<p>Agree with (and welcome) the need to make EOS policy information available during the lifetime of the policy. However :</p> <ul style="list-style-type: none"> <li><input type="checkbox"/> Published information should always note that 'policies may change over time' (as things change and new issues evolve – eg fracking is a relatively new concern). For some funds this may only be a precaution however for many there will be unexpected changes that will have to be implimented.</li> <li><input type="checkbox"/> Be aware of distribution related challenges. Many UK investors (for example) do not invest directly via a fund managers as they commonly invest via platforms or Discretionary Fund Managers. In practice this means fund manager will not have their contact details and often can not be relied on to contact them. They can only therefore reasonably be held responsible for the publication of information – not its receipt by individual investors.</li> <li><input type="checkbox"/> The example given in paragraph 18 on p25 is incorrect and a misinterpretation of the sector. The 'cause and effect' indicated here and in note 24 do not apply in practice. Many screened and themed options invest in companies where a more pragmatic approach is taken. For example - a fund that avoids fossil fuel companies does not automatically invest in clean technology companies. In many cases it is more likely they will invest in 'neutral' companies such as financial services, pharmaceuticals, or supermarkets – if their investment characteristics are deemed preferable to eg wind or solar. For those who simply wish to avoid fossil fuel companies for environmental reasons this will be acceptable and should not be criticised as a strategy. The degree to which it is 'green' or 'environmental' may be open to debate – but in essence a fund with no oil companies and lots of supermarkets is 'greener' than a fund heavily invested in oil majors. (The key factor here is not to</li> </ul>

			<p>imply that avoiding oil companies means you will be investing in clean technology - as this would mislead clients.)</p> <p><input type="checkbox"/> Many clients may also prefer 'engagement' and other 'responsible ownership strategies' as these can help encourage positive change. Such strategies are a different / alternative form of 'green' and should not be ignored.</p> <p>Also see 'General Comments' response.</p>
240.	SYCOMORE ASSET MANAGEMENT	Technical Advice 5 (p24)	Strong Yes, as a consequence of Technical Advice 3 and 4.
241.	The Actuarial Association of Europe	Technical Advice 5 (p24)	We agree with allowing flexibility in how the Investment Policy Statement is stored by the Manufacturer.
242.	The Norwegian Consumer Council	Technical Advice 5 (p24)	<p>It is important that investors can make informed choices. As a consequence, information about investment products in an IPS must be able to answer whether the requirements put forward by the investors concerning sustainability and ethics are sufficiently met.</p> <p>Substantial deviations from the provided information given in an IPS should constitute a basis for claims by retail investors as well as opening up a pathway for sanctions by supervisory authorities.</p>
243.	Triodos Bank NV	Technical Advice 5 (p24)	<p>Disclosure of Investment Policy Statement to Retail Investor Retail investors should be able to access the IPS prior to their investment decision. This could be done by reference in the KID to the manufacturer's website or, where applicable, to the prospectus, provided that the information is accessible continuously for the lifetime of the PRIIP.</p> <p>See before: the KID itself should also contain adequate information on environmental or social objectives as well as the investment policy to get there.</p>

244.	WWF European Policy Office	Technical Advice 5 (p24)	<p>We agree with point 13 (page 23): ‘According to the PRIIPs Regulation, the PRIIP manufacturer is responsible for the information in the KID to be accurate. From this legal responsibility, it can be concluded, that material deviations from the aforementioned requirements (‘clear, fair, not misleading’) constitutes a basis for both claims by the retail investor and supervisory sanctions’.</p> <p>As mentioned in Question 4 related to point 12 (page 23), ‘Where a prospectus is available, it could alternatively be regarded as an appropriate means for the manufacturer to provide transparent, comprehensive and legally binding information on the product’s investment objectives and their implementation in the investment process.’ WWF believes there should be ESG risk factor disclosure both in the prospectus (if it’s required) and in the IPS. ESG risk factors can constitute specific and material risks in financial products (as reflected in Recital 48a proposed by the Council ‘Environmental, social and governance circumstances, often viewed as external and general, may also constitute specific and material risks in a financial product. Hence, due care should be taken not to unduly exclude any such truly material and specific risks where they may cause losses to the investor;’).</p> <p>We support that the retail investor should have access to the IPS prior making an investment decision, plus including ESG risk factors in the information available will make the retail investor take a well-informed investment decision.</p>
245.	2 degree Investing Initiative	Technical Advice 6 (p26)	<p>In line with our previous suggestions we propose to change the second paragraph to the following:</p> <p>These product governance principles should be applied in a proportionate manner for products claiming to have a positive impact on the economy/society: the more indirect the EOS impact of the PRIIP is, the more information must be provided and increased monitoring/control effort needs to be applied.</p>
246.	ALFI Association of the Luxembourg Fund Industry	Technical Advice 6 (p26)	<p>The sentence “on publicly accepted and sustainable targets” should be further clarified. We believe this is only acceptable if there are other measurement tools available.</p>
247.	AMAFI	Technical Advice 6 (p26)	

248.	ANASF	Technical Advice 6 (p26)	<p>Technical Advice 6. Monitoring Procedures and Controls.</p> <p>We agree with the proposed Technical Advice 6. In particular, we agree that product governance principles shall be applied in a proportionate manner, taking into account the direct/indirect impact of the EOS. With regard to this, we suggest introducing, by means of European Guidelines or recommendations, an indicator to gauge the EOS impact of each EOS PRIIP: for instance, a numerical scale ranging from 1 to 7 and coloured from light to dark green, whereby the more direct the impact is, the higher the indicator. In any case, retail investors would be familiar with the proposed numerical scale inasmuch as it is similar to the KID summary risk indicator (Article 3, Regulation EU No. 1286/2014). Our proposal should also be complemented with the requirement to specify on the manufacturer's website the numerical scale assessing the EOS impact of each EOS PRIIP.</p> <p>The indicator should also be reviewed on an ongoing basis, in the context of the review pursuant to Technical Advice 7.</p>
249.	Association Française de la Gestion financière - A	Technical Advice 6 (p26)	OK
250.	Association of International Life Offices (AILO)	Technical Advice 6 (p26)	So far as the MOP provider is concerned then it would be expected that the provider would take note of the manufacturers review to ensure whether the underlying should remain available within the product
251.	Aviva Investors	Technical Advice 6 (p26)	We would highlight that the wording in this Technical Advice indicates an Impact Investing strategy when requiring that the manufacturer explains the links between the EOS PRIIP and its positive impact. This needs to be adjusted accordingly to take into account recognised strategies that integrate ESG considerations as these too fulfil an 'EOS goal'.
252.	BVI Bundesverband Investment und Asset Management	Technical Advice 6 (p26)	First, the adherence to the investment strategy should not prevent the EOS PRIIP manufacturer from changing the strategy in line with sectoral legislation. Second, for this Technical Advice our concerns regarding the ESAs mandate apply as well (see in particular comment to Technical Advice 2). Third, we again would like to point out that the wording indicates an Impact Investing strategy when requiring that the manufacturer explains the links between the EOS PRIIP and its positive impact. Accordingly,

			this should be adjusted.
C 253.	Confidential comment	Technical Advice 6 (p26)	Confidential comment.
254.	Ecofi Investissements	Technical Advice 6 (p26)	The retail investors should have the opportunity to compare the EOS strategies and its monitoring tools among different PRIIP manufacturers.
255.	European Fund and Asset Management Association (EF)	Technical Advice 6 (p26)	<p>EOS PRIIPs should not be treated differently to non EOS PRIIPs, as all objectives of the funds will need to be monitored by the manufacturer. The same process should apply for both EOS and non EOS PRIIPs.</p> <p>The adherence to the investment strategy should not prevent the EOS PRIIP manufacturer from changing the strategy in line with sectoral legislation. Secondly, for this Technical Advice our concerns regarding the ESAs mandate apply as well (see in particular comment to Technical Advice 2). We would once again point out that the wording in this Technical Advice indicates an Impact Investing strategy when requiring that the manufacturer explains the links between the EOS PRIIP and its positive impact. This needs to be adjusted accordingly.</p>
256.	Eurosif	Technical Advice 6 (p26)	The monitoring procedures that need to be put in place to ensure that the company properly funds and manages its activities towards the goals, as referred to in the IPS, should also include those indirect negative consequences on the Environmental or Social side which can arise even when an E or S positive goal is envisaged.
257.	FECIF	Technical Advice 6 (p26)	<p>Technical Advice 6. Monitoring Procedures and Controls.</p> <p>We agree with the proposed Technical Advice 6. In particular, we agree that product governance principles shall be applied in a proportionate manner, taking into account the direct/indirect impact of the EOS. With regard to this, we suggest introducing, by means of European Guidelines or recommendations, an indicator to gauge the EOS impact of each EOS PRIIP: for instance, a numerical scale ranging from 1 to 7 and coloured from light to dark green, whereby the more direct the impact is,</p>

			<p>the higher the indicator. In any case, retail investors would be familiar with the proposed numerical scale in as much as it is similar to the KID summary risk indicator (Article 3, Regulation EU No. 1286/2014). Our proposal should also be complemented with the requirement to specify on the manufacturer's website the numerical scale assessing the EOS impact of each EOS PRIIP.</p> <p>The indicator should also be reviewed on an ongoing basis, in the context of the review pursuant to Technical Advice 7.</p>
258.	German Banking Industry Committee	Technical Advice 6 (p26)	<p>Since there are currently no standards against which sustainability targets can be measured, as already described under II. above, positive impacts, e.g. social benefits, also cannot be formulated in a concrete manner. In the case of "passive investment products" the "static component" of these products and in the case of funds, a mandatory ESG target definition within the meaning of the described impact targets ("positive impact on publicly accepted and sustainable targets") and verification of compliance with the objectives ("and assess compliance with the "EOS objectives") might possibly contradict the trustee principle, as comprehensive implementation cannot be guaranteed consistently, e.g. owing to data availability. It should be noted that, in the case of the inclusion of ESG targets, these do not have to be included as a binding target owing to the absence of a standard. In any case, an economic assessment is required – the attainment of an agreed ESG target cannot be disproportionate to the economically oriented action of a capital management company.</p>
259.	Insurance Europe	Technical Advice 6 (p26)	<p>The PRIIPs Regulation enables manufacturers to write in the PRIIPs KID that the PRIIP targets certain EOS objectives. It does not specify the extent of such targets. Therefore, it should be sufficient that the design/selection criteria proportionally match the extent of EOS objectives.</p>
260.	Lieve Lowet, consumer of EOS PRIIPs	Technical Advice 6 (p26)	<p>This suggested principle 6 puts the burden of proof on the consumer/retail investor. Technical advice 3 refers to establish (development?), implement (implementation) and maintain (control?) product governance procedures. This advice 6 does nothing more than to suggest that the development and implementation of ongoing monitoring procedures and controls shall be sufficient to ensure investors can be confident. But how is the EOS target controlled? That is what I would like to know as consumer/retail investor, and this is not clear to me.</p> <p>There is some circular reasoning going on it seems: the consultation should lay down procedures to</p>

			establish whether the EOS PRIIPs meets its targets, and this principle says that the manufacturer's compliance with the monitoring procedure is sufficient to ensure target meeting. Which monitoring procedure? Why self-regulation?
261.	London Stock Exchange Group	Technical Advice 6 (p26)	LSEG supports this proposal and recommends, also in respect to the proportionate approach, that monitoring is conducted against accepted industry standards and frameworks relevant to the different assets underlying the PRIIP. Reliance on industry accepted ESG standards relieves PRIIP manufacturers from the burden of having to develop their own methodologies and processes.
262.	Mirova	Technical Advice 6 (p26)	This principle is commendable since, indeed, PRIIPPS manufacturers may not always be able to establish a link between "the EOS PRIIPPS and its positive impact on publicly accepted and sustainable targets" given that some SRI approaches are very weak. However increasing monitoring and control efforts may not prove the most efficient and realistic way to ensure that those PRIIPPS still contribute to implement the announced objectives. Differentiating from the beginning indirect EOS impact (SRI) from direct EOS impact (green and sustainable investment) through labels and conserving reasonable monitoring procedures and controls may prove more efficient.
263.	sriServices	Technical Advice 6 (p26)	<p>I agree - but regulators should be careful not to overcomplicate requirements as this could be a disincentive and a barrier to entry for fund managers.</p> <p>Para 22 is problematic as it risks encouraging overstating fund managers positions or driving fund managers out of the sector. There are complexities relating to many strategies but as long as sufficient information is published to allow investors to make make well informed decisions they should not be problematic.</p> <p>Expecting all managers to commit significant resources into this area risks reducing consumer choice (as managers may exit/fail to enter this market). This could slow the transition towards more sustainable business practices as managers may retreat to offering non EOS options only (and therefore return to investing in fossil fuel companies for example).</p> <p>Para 24. It is not realistic to expect fund managers to have direct relations with individual investors</p>

			<p>now. (See comments in TA5). Much investment is intermediated and via platforms and discretionary managers. (This is the 'blurred' area or retail which is sometimes incorrectly regarded as institutional investment.) Getting information to clients is therefore not solely the responsibility of the fund manager as no direct relationship exists.</p> <p>I suggest the fund manager should be encouraged to publish information while distributors and service providers should be encouraged to make it available to individual investors. (I am not however an expert on this area so other rules may take precedent.)</p> <p>Also see 'General Comments' response.</p>
264.	SYCOMORE ASSET MANAGEMENT	Technical Advice 6 (p26)	Strong No. Considering the UCITS funds universe, our opinion is that the regulation should encourage the public certifications, such as the French SRI Certification and the Energy and Ecological Transition for the Climate certification. Those certifications are already in place and already contribute to ensure investors can be confident that the investment strategy is properly implemented and adhered to over time.
265.	The Actuarial Association of Europe	Technical Advice 6 (p26)	We agree with the approach that product governance principles should be applied in a proportionate manner.
266.	The Norwegian Consumer Council	Technical Advice 6 (p26)	<p>The Norwegian Consumer Council welcomes the introduction of an appropriate monitoring framework, which needs to be listed in the IPS. However, for some investments there may be certain challenges associated with measuring whether general requirements on environmental or social objectives have been achieved.</p> <p>A description of how monitoring procedures and controls are to be carried out must be clearly formulated in relevant investor documents.</p>
267.	Triodos Bank NV	Technical Advice 6	<p>Monitoring Procedures and Controls</p> <p>As part of the manufacturer's compliance with product governance measures the development and</p>

		(p26)	<p>implementation of ongoing monitoring procedures and controls shall be sufficient to ensure investors can be confident that the investment strategy is properly implemented and adhered to over time. The IPS shall provide summary details on these measures, and where relevant, establish and explain links between the EOS PRIIP and its positive impact on publicly accepted and sustainable targets, also taking into account the more or less direct expected EOS impact.</p> <p>These product governance principles should be applied in a proportionate manner: the more indirect the EOS impact of the PRIIP is, the more information must be provided and increased monitoring/control effort needs to be applied.</p> <p>See before, we agree, but we think the retail investor should be able to assess whether he agrees to both the objectives and the investment policy to get to that positive impact by only reading the KID too.</p>
268.	WWF European Policy Office	Technical Advice 6 (p26)	<p>WWF wants to highlight the importance of developing a solid ESG framework that enables management to oversee ESG issues, including risks and opportunities, and triggers corrective actions where necessary. It is essential to integrate the evaluation and reporting of ESG issues into on-going monitoring. The ESAs must help shape an effective ESG framework, including processes and reporting, through their technical advice.</p> <p>WWF supports the development and implementation (of the manufacturer) of ongoing monitoring procedures and controls so that the investment strategy is properly implemented and adhered to over time (Technical Advice 6). One of the flaws WWF's spotted is where it says 'The IPS shall provide summary details on these measures, and where relevant, establish and explain links between the EOS PRIIP and its positive impact on publicly accepted and sustainable targets, also taking into account the more or less direct expected EOS impact.' Regarding WWF's views, there's always good intention in developing measures that contribute to the transition to a low carbon economy and a sustainable financial system, but it's always weakened with this kind of language. We would therefore ask the ESAs to recommend that the IPS should always explain the links between the EOS PRIIP and its positive and negative impact (direct and indirect) on publicly accepted and sustainable targets. We fully support 'the more indirect the EOS impact of the PRIIP is, the more information must be provided and increased monitoring/control effort needs to be applied.</p>

			We disagree with what is said in point 17 '(...)Strict rules would lack the flexibility required to capture various EOS products and evolutions in the market.' We firmly believe there should be robust rules regarding ESG governance monitoring measures and disclosure – for example, as mentioned before, requiring mandatory ESG disclosure and ESG risk assessment.
269.	ALFI Association of the Luxembourg Fund Industry	Technical Advice 7 (p26)	Regarding the frequency (line 4), we believe a review on an annual basis is sufficient.  We recommend adding a sentence at the end of the second paragraph to specify that this should be done in the interest of investors (e.g. if the value of a stock in which a fund invest decrease significantly because of issues with the company, there should not be an obligation to sell a stock at a time when the value is low, in the interest of investors).
270.	AMAFI	Technical Advice 7 (p26)	
271.	ANASF	Technical Advice 7 (p26)	Technical Advice 7. Review of EOS PRIIP.  Provided that we generally agree with the proposed Technical Advice 7, we emphasise the need to take into account also the role of distributors (financial intermediaries and advisors qualified as tied agents that may provide advice and offer financial products and services outside the premises of banks, investment firms and asset managers): indeed, it is likely that retail investors address their personal financial advisor when they are provided with information concerning the outcome of the reviews of EOS PRIIPs (and, in particular, in case of significant deviations from the EOS objectives, including the procedures and steps implemented to restore compliance). Accordingly, we propose the following amendment:  « Manufacturers shall inform retail investors in EOS PRIIPs about the outcome of their regular reviews and in particular about any significant deviations from the EOS objectives and investment strategy set out in the IPS and the procedures and steps to be implemented to restore compliance. The aforementioned information provided by the manufactures shall include a clear indication that advisors, distributors or any other person advising on, or selling, the EOS PRIIPs may provide further explanation to enable the retail investor to understand the effect of the review.
272.	Association Française de la	Technical Advice 7	EOS PRIIP should not be treated differently to non EOS PRIIP. The same process should apply for both EOS or non EOS PRIIPs. For example, we would disagree with the concept of “significant deviations”,

	Gestion financière - A	(p26)	which we consider unclear and potentially dangerous. The last paragraph should be deleted.
273.	Association of International Life Offices (AILO)	Technical Advice 7 (p26)	See Technical Advice 6 above
274.	Aviva Investors	Technical Advice 7 (p26)	<p>The outcome of the regular reviews should be communicated only when the review identifies that the product is not performing as intended, rather than communicating the outcome of all review as currently drafted. We believe that our communication to customers should be easy to understand and we should avoid providing information that would not add value to the customer. Communicating the outcome of all reviews would only increase complexity and create a relevant burden of work for the Manufacturers.</p> <p>Furthermore, product reviews are already addressed in sectorial regulation, therefore there is no need for duplicating these requirements</p>
275.	BVI Bundesverband Investment und Asset Management	Technical Advice 7 (p26)	<p>The requirement for monitoring of ongoing compliance with the investment strategy already applies to investment funds (see also comment to Technical Advice 2). However, we are not sure that a monitoring of an ongoing compliance is within the mandate of the PRIIPs Regulation which only requires procedures to establish whether a PRIIP targets environmental and social objectives. It does not refer to any ongoing oversight requirements. Moreover, as already pointed out, the Commission only requested additional requirements where sectoral legislation was not sufficient and only insofar as the strategy is properly implemented.</p> <p>More importantly, however, is that again the ESAs require another additional information to be provided to investors regarding any deviations from the EOS objectives and investment strategy. In this respect – in addition to the PRIIPs KID – the ESAs introduce two disclosure requirements which are not foreseen in the text of the PRIIPs Regulation. Consequently, at least the last paragraph should be deleted.</p>
<b>C</b>	<b>Confidential</b>	<b>Technical</b>	<b>Confidential comment.</b>

276.	comment	Advice 7 (p26)	
277.	Ecofi Investissements	Technical Advice 7 (p26)	The frequency of the review of the EOS PRIIP shall be performed every time that there is a relevant changing and at least annually. Manufacturers shall inform properly retail investors about their review.
278.	European Fund and Asset Management Association (EF	Technical Advice 7 (p26)	<p>The requirement for monitoring of ongoing compliance with the investment strategy already applies to investment funds (see also comment to Technical Advice 2). However, we have doubts as to whether a monitoring of an ongoing compliance is within the mandate of the PRIIPs Regulation which only requires procedures to establish whether a PRIIP targets environmental and social objectives. It does not refer to any ongoing oversight requirements. As already pointed out, the Commission only requested additional requirements where sectoral legislation was not sufficient and only insofar as the strategy is properly implemented.</p> <p>More importantly, however, the fact remains the ESAs require additional information to be provided to investors regarding any deviations from the EOS objectives and investment strategy. EOS PRIIP should not be treated differently to non EOS PRIIP. The same process should apply for both EOS or non EOS PRIIPs. In this respect – in addition to the PRIIPs KID – the ESAs introduce two disclosure requirements which are not foreseen in the text of the PRIIPs Regulation. For example, we would disagree with the concept of “significant deviations”, which we consider unclear. The last paragraph should be deleted.</p>
279.	FECIF	Technical Advice 7 (p26)	<p>Technical Advice 7. Review of EOS PRIIP.</p> <p>Provided that we generally agree with the proposed Technical Advice 7, we emphasise the need to take into account also the role of distributors (financial intermediaries and advisors): indeed, it is likely that retail investors will often address their personal financial advisor when they are provided with information concerning the outcome of the reviews of EOS PRIIPs (and, in particular, in case of significant deviations from the EOS objectives, including the procedures and steps implemented to restore compliance). Accordingly, we propose the following amendment:</p> <p>« Manufacturers shall inform retail investors in EOS PRIIPs about the outcome of their regular reviews and in particular about any significant deviations from the EOS objectives and investment strategy set</p>

			<p>out in the IPS and the procedures and steps to be implemented to restore compliance. The aforementioned information provided by the manufacturers shall include a clear indication that advisors, distributors or any other person advising on, or selling, the EOS PRIIPs may provide further explanation to enable the retail investor to understand the effect of the review.</p>
280.	German Insurance Association	Technical Advice 7 (p26)	<p>We agree that the manufacturer of an EOS PRIIP should regularly review the investment strategy to assess compliance with the EOS objectives set out in the respective PRIIPs KID. However, monitoring obligations with regard to the relevant product features are already part of the POG framework introduced under MiFID II or IDD. For insurance products, further rules on POG are currently developed as part of delegated acts under IDD. A delegated act under the PRIIP Regulation must not create potentially divergent rules for EOS PRIIP. As demanded by the EC mandate, the technical advice should clearly focus on the legal basis in the level 1 text.</p> <p>We agree that the manufacturer should inform the retail investors about any significant deviation from the EOS objectives described in the PRIIPs KID on an ad-hoc basis. However we would like to stress that the PRIIP Regulation introduces the KID as generic pre-contractual information document. The PRIIP Regulation does not contain any obligations to provide periodic communications to retail investors. Introducing such an obligation by way of delegated acts under the PRIIP Regulation would overstep the legal basis by far. Furthermore, an obligation to provide additional (in this case annual) information on the review to the retail investor, regardless of a specific occasion, would in most cases result in unnecessary paperwork which would in turn make these products less competitive.</p> <p>Instead, it should be left at the discretion of the manufacturers how they communicate the achievement of EOS objectives.</p>
281.	Insurance Europe	Technical Advice 7 (p26)	<p>Insurance Europe agrees that the manufacturer of an EOS PRIIP should review the investment strategy to assess compliance with the EOS objectives set out in the respective PRIIP-KID. However, monitoring obligations with regard to the relevant product features are already part of the POG framework introduced under MiFID II or IDD. For insurance products, further rules on POG are currently developed as part of delegated acts under IDD. A delegated act under the PRIIPs Regulation should not create potentially divergent rules for EOS PRIIPs. As demanded by the EC mandate, the technical advice should clearly focus on the legal basis in the level 1 text.</p>

			<p>Insurance Europe also agrees that the manufacturer should inform the retail investors about any significant deviation from the EOS objectives described in the PRIIPs KID on an ad-hoc basis. However, Insurance Europe wishes to stress that the PRIIPs Regulation introduces the KID as generic pre-contractual information document. The PRIIPs Regulation does not contain any obligations to provide periodic communications to retail investors. Introducing such an obligation by way of delegated acts under the PRIIPs Regulation would significantly overstep the legal basis. Furthermore, an obligation to provide additional (in this case annual) information on the review to the retail investor, regardless of a specific occasion, would in most cases result in unnecessary paperwork which would in turn make these products less competitive.</p> <p>Finally, manufacturers should be allowed to use any means to inform retail investors about significant deviations from the EOS objectives. In particular, they should be allowed to use their website for these purposes.</p>
282.	Lieve Lowet, consumer of EOS PRIIPs	Technical Advice 7 (p26)	A regular review is welcomed.
283.	London Stock Exchange Group	Technical Advice 7 (p26)	LSEG supports this proposal.
284.	Mirova	Technical Advice 7 (p26)	- No comment
285.	sriServices	Technical Advice 7 (p26)	Yes – ongoing reviews are essential and clients should be aware of them. Alongside this it is essential to communicate to clients (as appropriate) that fund details may change over time.

			<p>As stated in TA5 &amp; TA6 – the fund manager can not be held responsible for communication with all clients. This may be an adviser or service provider’s role. Fund managers may not have investor information – Fund manager’s websites can help with such issues as can sites such as <a href="http://www.FundEcoMarket.co.uk">www.FundEcoMarket.co.uk</a> .</p> <p>Also see ‘General Comments’ response.</p>
286.	SYCOMORE ASSET MANAGEMENT	Technical Advice 7 (p26)	No, in accordance with our answer regarding Technical Advice 6. However, we consider that retail investors must be informed if the UCITS they are invested in comes to lose a public certification.
287.	The Actuarial Association of Europe	Technical Advice 7 (p26)	<p>We question whether governance processes need to be reviewed annually, as a governance process should be sufficiently durable so that it does not require material changes to the process from one year to the next. We would suggest a less frequent review of the governance process is more appropriate.</p> <p>The advice requires: ‘Manufacturers shall inform retail investors in EOS PRIIPs about the outcome of their regular reviews and in particular about any significant deviations from the EOS objectives and investment strategy set out in the IPS and the procedures and steps to be implemented to restore compliance.’ We would have thought that retail investors can assume that the PRIIP/fund is adhering to the EOS objectives unless told otherwise; and therefore that there should not be a need to inform retail investors of the outcome of a review where the outcome has been positive or neutral.</p>
288.	The Norwegian Consumer Council	Technical Advice 7 (p26)	The Norwegian Consumer Council support introduction of a mandatory requirement related to the introduction of reviews on a regular basis. The main purpose is to ensure that investors are informed about any significant deviations from the EOS objectives and investment strategies set out in the IPS. Such reviews should also include a description of measures, procedures and steps to be implemented to restore compliance.

			<p>Adequate authorities, which could include the ESAs, should communicate and publish these reviews in the same way as they communicate and publish market warnings.</p> <p>The frequency of reviews should take into account the needs of the investors. Different investment products will need varying levels of minimum frequencies. For some investment products requirement could be annual reviews, while for others semi-annually or quarterly or even more often would be preferable and sometimes also necessary.</p>
289.	Triodos Bank NV	Technical Advice 7 (p26)	<p>Review of EOS PRIIP</p> <p>Manufacturers shall review the EOS PRIIP on an ongoing basis in order to ensure the product performs as intended, and assess compliance with the EOS objectives and the corresponding investment strategy as stated in the IPS. The review of the governance processes and performance of EOS PRIIPs shall be performed at least annually, with the actual frequency of reviews taking into account the complexity of the investment strategy and the IPS.</p> <p>As part of the product governance rules, manufacturers shall establish and implement procedures and steps necessary and appropriate to restore compliance with the EOS objectives and investment strategy set out in the IPS.</p> <p>Yes. Because the EOS aspects are essential to an EOS investor and a reason that he/she invested in that product, compliance with the EOS objectives should be considered as standard and deviation an exception, which should be restored as soon as possible. The product governance process should mirror this.</p>
290.	WWF European Policy Office	Technical Advice 7 (p26)	<p>We agree with what the ESAs mention in point 22 (page 26) '(...)a regular review of the performance of the product and the processes put in place in view of the EOS objectives and the associated investment strategy in the IPS should be mandatory.' In addition, we agree as well with informing retail investors in EOS PRIIPs about the outcome of the manufacturer's regular reviews and about significant deviations and procedures and steps to be implemented to restore compliance ('In case of detected divergence, the manufacturer shall present to the retail investor a well-founded, effective and efficient</p>



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			<p>schedule of steps for regaining full compliance with the EOS objectives of the PRIIP and the investment strategy, respectively.')</p> <p>However, we disagree with the technical advice where it mentions that the regular reviews shall be performed at least annually. The ESAs must encourage manufacturers to increase the frequency of revision of internal procedures, and it's not reflected in their advice, it's too weak for what WWF would like to see as an outcome.</p>
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