

The IRSG's feedback on the draft amendments on disclosure of fossil gas and nuclear activities to the financial product disclosure templates under the Sustainable Finance Disclosure Regulation

The ESA stakeholder groups are requested to provide feedback on the draft amendments on disclosure of fossil gas and nuclear activities to the financial product disclosure templates under the Sustainable Finance Disclosure Regulation. The IRSG welcomes any initiatives that help achieve proper informative setting for sustainable investment. In this feedback the IRSG takes the perspective of retail investors and consumers.

General remarks

It is fair to say that previous consumer testing in Poland and the Netherlands ([link 1](#), [link 2](#)) have already shown complexity and lengthiness of both precontractual and periodic information in agreed form. That is why adding the disclosure of the taxonomy-aligned nuclear and gas investments should be as concise as possible. Previous studies on consumer reading ability showed better results for visual information. At the same time overall pictured is better than fragmented information. For above mentioned reasons IRSG is in favour of option 2.

There is one particular feature that should be mentioned, the colours used in the information. It is difficult to find optimal solution. However, at this stage no-taxonomy aligned and fossil gas and nuclear taxonomy-aligned should be provided in clear way without any bias.

The charts could also be higher up in the documents, somewhere close to the initial table where it is indicated whether they are sustainable investments or products with ESG characteristics, whilst disclosing the % of taxonomy alignment (at the very beginning). It would be useful to have the % of gas and nuclear also disclosed in this section.

There are sections on do no significant harm and a consideration of principle adverse impacts where it would be useful that a reference to nuclear and gas-related activities. This could include an explanation of why some nuclear and gas-related activities are included as sustainable investments, although they do not in principle meet the do no significant harm criteria under the EU Taxonomy.

The text regarding sovereign exposures could also be better clarified. The text says "including sovereign exposures" or "excluding sovereign exposures", but does not explain whether they are included in the numerator and denominator, or only denominator.

There is another issue with regard to the content of precontractual information. Is it really desirable to specify *ex ante* different categories of minimum percentages (of fossil gas, nuclear energy and activities without fossil gas and nuclear energy)? The IRSG questions whether it is truly in line with the intentions of the European Commission to effectively oblige asset managers to commit to minimum – rather than maximum - allocations to fossil gas and nuclear energy investments. Apart from introducing requirements that appear to be incompatible with the policy objectives of the Taxonomy Regulation, this approach also imposes unnecessary restrictions on the fund managers' investment policies.

We also suggest that jargon or abbreviations like CapEx and OpEx (in periodic template, p. 5) should be avoided, and instead of them full terms should be used.

Answers to the questionnaire

a. Do you prefer Option 1 or Option 2 for the disclosure of the taxonomy-aligned nuclear and gas investments and why? Are there improvements you would like to suggest Option 1 or Option 2?

The IRSG prefer option 2 as visualisation is better for retail investors and consumers.

b. Are there other alternatives of the presentation that you would consider more suitable than Option 1 and 2?

Within limited time framework the IRSG cannot work out any alternative approach.

c. Please indicate to what extent you agree or disagree with the following statements. Please rate the statements from “1- disagree”, “2- neither agree nor disagree”, to “3- agree”:

	Option 1	Option 2 A/B
I understand the information in the document	agree	agree
The information document is visually attractive	disagree	agree
The information document helps me understand whether the taxonomy-aligned investments are in fossil gas and nuclear activities and in what proportion	disagree	agree
I understand the distinction between investments that are Taxonomy-aligned that are not in fossil gas and nuclear activities and the investments that are Taxonomy-aligned in fossil gas or nuclear activities	agree	agree

d. Do you prefer Option 2a or 2b for the pre-contractual disclosure of taxonomy-aligned nuclear and gas investments through a graphical representation (the pie chart)?

The IRSG's members prefer option 2, but present diverse opinion regarding preferences towards 2A and 2B. For some members option 2A was better as much more concise. They suppose, the retail investors and consumers do not need very detail information at this level. Other members prefer option 2B. They find this a more intuitive presentation, and believe it does not put undue focus, or overly highlight, this information at the expense of other data. Simplified consumer testing would be important to confirm whether option 2A or 2B is better understood by retail investors and consumers.

e. Do you have any comments on the suggested language to illustrate the context of the separate disclosure of taxonomy-aligned nuclear and gas investments (indicated with ** and *)?**

In case of fossil gas the information is biased as tries to justify its usage. It is not the case of nuclear energy. That is why information on fossil gas can be shortened: “** Fossil gas refers to transition activities related to fossil gaseous fuels”. It should also be clarified the classifications are based on the EU taxonomy by adding ‘under the EU Taxonomy Regulation’ at the end of the classifications.