

<b>Comments Template on Consultation Paper on PRIIPs with environmental or social objectives (‘EOS PRIIPs’)</b>		<b>Deadline 23 March 2017 18:00 CET</b>
Name of Company:	London Stock Exchange Group	
Disclosure of comments:	EIOPA will make all comments available on its website, except where respondents specifically request that their comments remain confidential.  Please indicate if your comments on this CP should be treated as confidential, by deleting the word Public in the column to the right and by inserting the word Confidential.	Confidential/ <b>Public</b>
<p>Please follow the following instructions for filling in the template:</p> <ul style="list-style-type: none"> <li>⇒ <u>Do not change the numbering</u> in the column “reference”; if you change numbering, your comment cannot be processed by our IT tool</li> <li>⇒ Leave the last column <u>empty</u>.</li> <li>⇒ Please fill in your comment in the relevant row. If you have <u>no comment</u> on a paragraph or a cell, keep the row <u>empty</u>.</li> <li>⇒ Our IT tool does not allow processing of comments which do not refer to the specific numbers below.</li> </ul> <p><b>Please send the completed template, in Word Format, to <a href="mailto:CP-17-002@eiopa.europa.eu">CP-17-002@eiopa.europa.eu</a>.</b></p> <p><b>Our IT tool does not allow processing of any other formats.</b></p> <p>The numbering of the questions refers to the Consultation Paper on the proposal for Guidelines under the Insurance Distribution Directive on insurance-based investment products that incorporate a structure which makes it difficult for the customer to understand the risks involved</p>		
<b>Reference</b>	<b>Comment</b>	
General Comments	London Stock Exchange Group (LSEG) welcomes the opportunity to take part in this consultation because: <b>1. LSEG have underscored the importance of ESG disclosure for underlying PRIIPs</b>	

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	<p><b>assets</b> 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;</p> <p>2. <b>LSEG have created a framework for green bond listings</b> (another key PRIIPs underlying asset) both in the UK and Italy and LSEG believe this constitutes good market practice EU Regulation should build on;</p> <p>3. As <b>providers of ESG and LCE (Low Carbon Economy) analytics and indexes</b> through FTSE Russell, LSEG make available tools that enable good EOS PRIIP product governance.</p>	
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><b>1. Linking definitions of "EOS" to global standards, without being prescriptive:</b> 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><b>2. Making a clear reference to disclosure as a key product governance principle:</b> 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><b>3. Broadening the scope from EOS "objectives" to EOS "objectives and considerations":</b> 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>	
Question 2 (p6)	<p>Limitations to the effective governance of the EOS PRIIPS can be posed by:</p> <p><b>1. Lack of references to market accepted definitions of EOS and associated global standards undermines comparability:</b> 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</p>	

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	<p>investable assets and products. Therefore LSEG believe that retail investors should have at least the same protection deemed necessary by institutional investors.</p> <p><b>2. Lack of consistency with other EU financial regulation:</b> 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.</p>	
Question 3 (p7)	LSEG supports the principles based and not prescriptive approach outlined in Section 4, provided that <ul style="list-style-type: none"> <li>(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;</li> <li>(ii) Disclosure of achieved environmental and social impacts and integration is recommended as a key product governance principle.</li> </ul>	
Question 4 (p7)		
Technical Advice 1 (p21)	LSEG supports this proposal.	
Technical Advice 2 (p21)	LSEG supports this proposal.	
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.	
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.	
Technical Advice 5 (p24)	LSEG supports this proposal.	

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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.	
Technical Advice 7 (p26)	LSEG supports this proposal.	