Response Form

for the

Exposure Draft of the
CFA Institute ESG Disclosure Standards for Investment Products

CFA Institute is developing voluntary, global industry standards, the CFA Institute ESG Disclosure Standards for Investment Products (the "Standards"), to establish disclosure requirements for investment products with ESG-related features. The purpose of the Standards is to provide greater transparency and consistency in ESG-related disclosures, resulting in clearer communication regarding the ESG-related features of investment products. The goal for this Exposure Draft is to elicit feedback on the proposed principles, requirements, and recommendations within the Standards. Please refer to the "Providing Feedback" guidelines for submitting comments. **All comments must be received by 14 July 2021 in order to be considered.**

Providing Feedback

Public commentary on the Exposure Draft will help shape the final version of the Standards, which is expected to be issued in November 2021. Comments should be provided in this Response Form, found here on the CFA Institute website, and submitted to standards@cfainstitute.org. Designated spaces for comments appear in the Response Form in the order in which the related topic sections appear in the Exposure Draft. Questions directed toward the Standards' intended users are posed in the Exposure Draft's Introduction, and these questions appear first in the Response Form, followed by designated spaces for comments related to the Guiding Principles, Provisions, and Glossary. General or summary comments on the Exposure Draft may be provided in the designated section at the end of the Response Form.

Each topic section in the Response Form contains a space for providing general comments pertaining to that section as well as spaces to provide comments for each provision in the section. When providing feedback on a specific provision, it may be helpful to consider whether the meaning of the provision is clearly stated and whether the provision will add value for users of the Standards. You may provide as few or as many comments as you wish.

The deadline for providing feedback is 14 July 2021. **Comments received after 14 July 2021 will not be considered**. Unless otherwise requested, all comments will be posted on the CFA Institute website.

Guidelines for submission

Comments are most useful when they:

- directly address a specific issue or question,
- provide a rationale and support for the opinions expressed, and
- suggest alternative solutions in the event of disagreement.

Positive comments in support of a proposal are equally as helpful as those that provide constructive suggestions for improvement.

Requirements for submission

In order for comments to be considered, please adhere to the following requirements:

- **Insert responses in the designated areas of the response form.**
- **Assign a unique file name to your response form before submitting.**
- **Provide all comments in English.**
- **Submit the response form as a Microsoft Word document.**
- **Submit the response form to** standards@cfainstitute.org **by 5:00 PM E.T. on 14 July 2021.**

General Information (required)

Respondent: *(Please enter your full name if you are submitting as an individual or the name of the organization if you are submitting on behalf of an organization.)*	- Jeannie Chun, CFA (ESG Investing / Manager Research) - Mark Duffy, CFA (ESG Analyst) - Aimee Forsythe, CFA (Senior Vice President & Senior Portfolio Manager) - Michael Greis, CFA (Principal and Sustainable Investing Consultant) - Larry Pohlman, PhD (Quantitative Researcher) - Patricia Schneider, CFA (Vice President & Portfolio Manager) - Lee Souter, CFA, FRM (Director, ESG Strategy) - Allison Walsh, CFA (Head of ESG and Corporate Sustainability) - Andrew Wetzel, CFA (Principal & Equity Portfolio Manager)
Stakeholder Group: *(Please select the stakeholder group with which you most closely identify.)*	Choose an item.
Region: *(If you are submitting as an individual, please select the region in which you live. If you are submitting on behalf of an organization and the organization has a significant presence in multiple regions, please select "Global". Otherwise, please select the region in which the organization has its main office.)*	North America
Country: *(If you are submitting as an individual, please enter the country in which you live. If you are submitting on behalf of an organization, please enter the country in which the organization has its main office.)*	United States
Confidentiality Preference: *(Please select your preference for whether or not your response is published on the CFA Institute website.)*	yes, my response may be published

QUESTIONS FOR INTENDED USERS

Questions for Investment Managers

1. Are the draft provisions helpful in establishing or clarifying the type of information that should be included in an investment product's disclosures regarding the ESG-related aspects of the investment product's strategy?

<QUESTION_01_01>

This response has been provided by members of the CFA Society of Boston's Sustainable Investing initiative team. Our comments reflect our professional experience in the ESG/Sustainable Investing space over multiple years, and the work we have done together to advance ESG and sustainable investing. Our varied roles allowed us to reflect multiple intended user audiences, so our comments reflect a consensus view that crosses multiple intended audiences – investment managers, investors, consultants & advisors, users of data and investment professionals who are CFA charterholders. Our comments reflect the consensus view of the individuals who have developed them, and are not intended to represent the view of our firms or of the CFA Society of Boston.

First and foremost, we appreciate the incredible amount of work that has been put in to date on this effort, across the CFA Institute and the volunteer working group members. ESG disclosure standards for investment products are sorely needed in the marketplace to help investors cut through marketing and product development noise. Members of the Sustainable Investing initiative at CFA Boston have followed progress of the Disclosure Standards development closely and were broadly encouraged by the shape the standards were taking. Unfortunately, the latest draft seems to pivot toward something that is less helpful.

The original goal was to help investors understand which ESG-related products align with their needs and preferences. There was general agreement that the combination of confusion around terminology and lack of standards were challenges, that if not addressed, could lead to erosion of trust in the industry. When comparing the latest draft to a prior version, we were shocked to see the statement that the latest version of the draft would not address the topics of investor ESG-related needs and preferences or classification of ESG-related features. We see those as central to the original purpose. We are concerned that the effort seems to have lost that purpose on its way on the path toward global consensus.

We have summarized the prior and current versions of the draft standards and highlighted changes, some potentially helpful and others which make the Standards significantly less useful for different types of investment professionals. We use this analysis and a grounding in the original goals to frame out a series of adjustments that we believe could get the effort back on the right path.

Recommendations:

- Move back to centering the standards on ESG-related features and their basic plain-language descriptions. This is critical in addressing confusion in the marketplace. The Institute's own survey work and alignment illustrations with other efforts show broad acceptance of these features and associated characteristics. This is critical to success in our view.

- The features as originally outlined were comprehensive and reflective of what we see in the market today. Future developments may or may not fit into those categories. This is to be expected and the standards should and will evolve to address those changes.
- Bring thematic back as a distinct feature. This is a rapidly growing part of the market and is an approach that results in a product risk/return profile that is clearly different than those associated with exclusions or ESG integration. The intent here is also clearly unique relative to other approaches within sustainable investing.
- Bring best-in-class back as a distinct feature. As most often implemented, this approach is focused on inclusionary analysis centered on ESG materiality, making it very different from most exclusionary approaches.
- Address data, validation, and implementation details at the feature level. This is critical to comparison of products with similar features. Data sources and implementation are not the same across features.
- Address stewardship at the feature level to help investors understand how products with like features manage stewardship activities and how ESG-related features affect stewardship.

Material changes:

- Deemphasis of ESG-related features and associated characteristics. These were previously foundational to the structure of the standards.
- ESG Integration was narrowed to only apply to financial analysis and valuation. For some reason the group decided this could be narrowly defined in a way where qualitative material ESG information that can affect the investment mosaic when considered systematically would not count.
- The Thematic ESG-related feature was completely removed (even from the glossary) and seems to possibly be captured by one bullet in the portfolio-level ESG criteria and characteristics section. Thematic investing is absolutely a distinct approach that is clearly differentiated from exclusionary and ESG Integration approaches. The risk return profile of products with exclusionary, ESG integration, and thematic mandates are different. Specific emphasis in a portfolio is also clearly different than a portfolio-level characteristic. Also, not all thematic products/strategies are fully invested in one or more themes. Forcing a definition that thematic means a portfolio is all in, means investors are all in or all out of a theme, perhaps introducing undue risk. There is no reason a portfolio cannot have thematic emphasis while still being a core product.
- The Best-in-Class ESG-related feature was completely removed, with commentary suggesting this approach is best captured in the exclusionary section. Stating that including some things necessarily excludes others is a tautology, providing no new information. Exclusion is generally a definitive statement that some activities are out of bounds. Best-in-Class is an inclusionary argument, generally centered on material ESG factors, intentionally wrestling with the nuances of activities that have positive and negative characteristics, which may well apply at the securities level, with or without portfolio level targets.
- Questions related to data used and evaluations of validity were rolled into a separate broad section at the product level. Previously these questions were asked at the feature level. This

removes important information at the feature level investors need to fully compare products. Information sources and data vary across approaches – forcing all of it together in one broad section increases the likelihood of vague statements that miss the market on feature-level diligence. Discussing data at the feature level does not preclude a product level discussion as well.

- Stewardship was moved from the feature level to a separate section. Our group has mixed feelings on this. Certain features can be more closely connected to stewardship, such as ESG integration, though implementation varies by manager. It would be most helpful to have this at the feature level as well to ensure comparability across products with like features. Discussing stewardship at the feature level does not preclude a product level discussion as well.
- Introduction of the impact objective concept and a section covering the process to achieve impact objectives. This was clearly missed in the prior version and is an important new component of the latest draft. This concept and related detail extend the standards to private market investments more fully. They also allow managers to detail robust engagement initiatives (in both public and private markets) that have driven clear and measurable impact, a growing part of the market.
  <QUESTION_01_01>

2. To what extent are the draft provisions supportive of and complementary with local laws and regulations and other codes and standards? Would preparing and presenting a compliant presentation in any way hinder your ability to comply with local laws and regulation or with other codes and standards?

   <QUESTION_01_02>
   ENTER RESPONSE HERE
   <QUESTION_01_02>

3. Do you expect it will be feasible and practical for your organization to provide the information required by the draft disclosure provisions and adhere to the draft fundamental provisions?

   <QUESTION_01_03>
   ENTER RESPONSE HERE
   <QUESTION_01_03>

4. To what extent would a compliant presentation proactively provide to asset owners, consultants, and advisors the ESG-related information they commonly request in their Requests for Proposals (RFPs), Due Diligence Questionnaires (DDQs), and other types of questionnaires?

   <QUESTION_01_04>
   ENTER RESPONSE HERE
   <QUESTION_01_04>

5. Would it be helpful if the Standards contained a recommended format or template for compliant presentations?

   <QUESTION_01_05>

ENTER RESPONSE HERE
<QUESTION_01_05>

Questions for Investors and Asset Owners

1. After reviewing the draft provisions and the sample compliant presentations, do you think a compliant presentation would help you understand how and why an investment product uses ESG information or addresses ESG issues?

<QUESTION_02_01>

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<QUESTION_02_01>

2. To what extent would a compliant presentation provide the ESG-related information that you typically request in your Requests for Proposals (RFPs), Due Diligence Questionnaires (DDQs), and other types of questionnaires? Is there information that you would like to see disclosed in a compliant presentation that is not required by the draft provisions? Is there information required by the draft provisions that is not necessary?

   <QUESTION_02_02>
   ENTER RESPONSE HERE
   <QUESTION_02_02>

3. Would the provision of compliant presentations by investment managers complement, streamline, or otherwise improve any of your existing processes, e.g., due diligence, certification, or reporting?

   <QUESTION_02_03>
   ENTER RESPONSE HERE
   <QUESTION_02_03>

4. Would you find it helpful if the Standards contained a recommended format or template for compliant presentations?

   <QUESTION_02_04>
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<QUESTION_03_01>

2. Would a compliant presentation help facilitate client discussions regarding ESG-related needs and preferences and suitable investment products?

<QUESTION_03_02>
ENTER RESPONSE HERE
<QUESTION_03_02>

3. To what extent would a compliant presentation provide the ESG-related information that you or your clients typically request in Requests for Proposals (RFPs), Due Diligence Questionnaires (DDQs), and other types of questionnaires? Is there information that you would like to see disclosed in a compliant presentation that is not required by the draft provisions? Is there information required by the draft provisions that is not necessary?

<QUESTION_03_03>
ENTER RESPONSE HERE
<QUESTION_03_03>

4. Would the provision of compliant presentations by investment managers complement, streamline, or otherwise improve any of your existing processes, e.g., investment product due diligence or overall assessments of investment managers' capabilities?

<QUESTION_03_04>
ENTER RESPONSE HERE
<QUESTION_03_04>

5. Would you find it helpful if the Standards contained a recommended format or template for compliant presentations?

<QUESTION_03_05>
ENTER RESPONSE HERE

<QUESTION_03_05>

Questions for Database Providers and Users

1. To what extent would a compliant presentation provide the ESG-related information that users are looking for?

<QUESTION_04_01>

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  <QUESTION_04_01>

2. Is it necessary, or would it be helpful, for compliant presentations to be in a standardized format? Would it be helpful if a machine-readable template was developed?

   <QUESTION_04_02>
   ENTER RESPONSE HERE
   <QUESTION_04_02>

Questions for regulators and investment professionals

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<QUESTION_05_01>

This response has been provided by members of the CFA Society of Boston's Sustainable Investing initiative team. Our comments reflect our professional experience in the ESG/Sustainable Investing space over multiple years, and the work we have done together to advance ESG and sustainable investing. Our varied roles allowed us to reflect multiple intended user audiences, so our comments reflect a consensus view that crosses multiple intended audiences – investment managers, investors, consultants & advisors, users of data and investment professionals who are CFA charterholders. Our comments reflect the consensus view of the individuals who have developed them, and are not intended to represent the view of our firms or of the CFA Society of Boston.

First and foremost, we appreciate the incredible amount of work that has been put in to date on this effort, across the CFA Institute and the volunteer working group members. ESG disclosure standards for investment products are sorely needed in the marketplace to help investors cut through marketing and product development noise. Members of the Sustainable Investing initiative at CFA Boston have followed progress of the Disclosure Standards development closely and were broadly encouraged by the shape the standards were taking. Unfortunately, the latest draft seems to pivot toward something that is less helpful.

The original goal was to help investors understand which ESG-related products align with their needs and preferences. There was general agreement that the combination of confusion around terminology and lack of standards were challenges, that if not addressed, could lead to erosion of trust in the industry. When comparing the latest draft to a prior version, we were shocked to see the statement that the latest version of the draft would not address the topics of investor ESG-related needs and preferences or classification of ESG-related features. We see those as central to the original purpose. We are concerned that the effort seems to have lost that purpose on its way on the path toward global consensus.

We have summarized the prior and current versions of the draft standards and highlighted changes, some potentially helpful and others which make the Standards significantly less useful for different types of investment professionals. We use this analysis and a grounding in the original goals to frame out a series of adjustments that we believe could get the effort back on the right path.

Recommendations:

- Move back to centering the standards on ESG-related features and their basic plain-language descriptions. This is critical in addressing confusion in the marketplace. The Institute's own survey work and alignment illustrations with other efforts show broad acceptance of these features and associated characteristics. This is critical to success in our view.

- The features as originally outlined were comprehensive and reflective of what we see in the market today. Future developments may or may not fit into those categories. This is to be expected and the standards should and will evolve to address those changes.
- Bring thematic back as a distinct feature. This is a rapidly growing part of the market and is an approach that results in a product risk/return profile that is clearly different than those associated with exclusions or ESG integration. The intent here is also clearly unique relative to other approaches within sustainable investing.
- Bring best-in-class back as a distinct feature. As most often implemented, this approach is focused on inclusionary analysis centered on ESG materiality, making it very different from most exclusionary approaches.
- Address data, validation, and implementation details at the feature level. This is critical to comparison of products with similar features. Data sources and implementation are not the same across features.
- Address stewardship at the feature level to help investors understand how products with like features manage stewardship activities and how ESG-related features affect stewardship.

Material changes:

- Deemphasis of ESG-related features and associated characteristics. These were previously foundational to the structure of the standards.
- ESG Integration was narrowed to only apply to financial analysis and valuation. For some reason the group decided this could be narrowly defined in a way where qualitative material ESG information that can affect the investment mosaic when considered systematically would not count.
- The Thematic ESG-related feature was completely removed (even from the glossary) and seems to possibly be captured by one bullet in the portfolio-level ESG criteria and characteristics section. Thematic investing is absolutely a distinct approach that is clearly differentiated from exclusionary and ESG Integration approaches. The risk return profile of products with exclusionary, ESG integration, and thematic mandates are different. Specific emphasis in a portfolio is also clearly different than a portfolio-level characteristic. Also, not all thematic products/strategies are fully invested in one or more themes. Forcing a definition that thematic means a portfolio is all in, means investors are all in or all out of a theme, perhaps introducing undue risk. There is no reason a portfolio cannot have thematic emphasis while still being a core product.
- The Best-in-Class ESG-related feature was completely removed, with commentary suggesting this approach is best captured in the exclusionary section. Stating that including some things necessarily excludes others is a tautology, providing no new information. Exclusion is generally a definitive statement that some activities are out of bounds. Best-in-Class is an inclusionary argument, generally centered on material ESG factors, intentionally wrestling with the nuances of activities that have positive and negative characteristics, which may well apply at the securities level, with or without portfolio level targets.
- Questions related to data used and evaluations of validity were rolled into a separate broad section at the product level. Previously these questions were asked at the feature level. This removes important information at the feature level investors need to fully compare products. Information sources and data vary across approaches – forcing all of it together in one broad

section increases the likelihood of vague statements that miss the market on feature-level diligence. Discussing data at the feature level does not preclude a product level discussion as well.

- Stewardship was moved from the feature level to a separate section. Our group has mixed feelings on this. Certain features can be more closely connected to stewardship, such as ESG integration, though implementation varies by manager. It would be most helpful to have this at the feature level as well to ensure comparability across products with like features. Discussing stewardship at the feature level does not preclude a product level discussion as well.
- Introduction of the impact objective concept and a section covering the process to achieve impact objectives. This was clearly missed in the prior version and is an important new component of the latest draft. This concept and related detail extend the standards to private market investments more fully. They also allow managers to detail robust engagement initiatives (in both public and private markets) that have driven clear and measurable impact, a growing part of the market.

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3. Would the Standards be helpful in maintaining a commitment to professional ethics and integrity?

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4. Would the Standards be helpful in providing investor protection through product transparency?

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5. Would the Standards be useful in serving as a mechanism to help investors align their ESG-related objectives with those of suitable products?

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6. Would the Standards be useful in serving as a mechanism to develop product labelling in your country?

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GENERAL PRINCIPLES FOR INVESTMENT PRODUCT DISCLOSURES

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GENERAL COMMENTS

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