

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: <i>(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.)</i>	The Asset Management Group of the Securities Industry and Financial Markets Association (“ SIFMA AMG ”) and the Asset Management Group of the Asia Securities Industry and Financial Markets Association (“ ASIFMA AMG ”)
Stakeholder Group: <i>(Please select the stakeholder group with which you most closely identify.)</i>	Investment Manager
Region: <i>(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.)</i>	Global
Country: <i>(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.)</i>	United States
Confidentiality Preference: <i>(Please select your preference for whether or not your response is published on the CFA Institute website.)</i>	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>

As we expand on in our response to this question, and in our responses to the other questions and certain provisions in the Exposure Draft, we note the following overarching concerns:

1. We do not feel the CFA should proceed with finalizing the Standards, particularly not in the immediate future while global ESG regulatory frameworks are evolving rapidly, with guidance and regulations continually coming from global regulatory entities.

2. The CFA's entry into this market at this time will create unnecessary resource expenditures and likely cause investor confusion as one more standard is added to the already saturated ESG frameworks and standards space.

3. The Standards may not be adopted by firms because many lack the resources necessary to address the Standards along with other current and future ESG regulatory developments and changes. Our members' primary focus in all jurisdictions is necessarily existing and future regulatory requirements from regulators.

4. Compliance would be costly, with little apparent benefit to investors.

5. Costs and compliance burden aside, the draft Standards in the Exposure Draft raise many substantive concerns with our members, which we highlight in our response.

The CFA Should not Move Forward with the Standards

While we appreciate the considerable time and effort the CFA Institute has devoted to this initiative, we do not support the CFA proceeding with finalizing the Standards at this time. As we explained in our response to the CFA's Consultation Paper in October 2020, SIFMA AMG and our members continue to believe that the CFA is not the appropriate entity to be the standard-setter for investment products' ESG-related disclosures. Our current response is also submitted on behalf of ASIFMA AMG and its members, which submitted a similar response to the CFA's Consultation Paper in October 2020. Our concerns with the CFA moving forward with the Standards focus less on the *types* of information required and more on the potential for the Standards to introduce unnecessary regulatory complexity to the already crowded ESG reporting landscape.

The Standards present compliance challenges that may result from conflicting requirements for our members who offer investment products across the globe. In particular, many of our members are currently working through compliance with respect to ESG regulations in multiple jurisdictions. For example, compliance efforts for the Sustainable Finance Disclosure Regulation ("**SFDR**") in European jurisdictions will continue until at least level 2 requirements are finalized and in place, currently estimated to be July 1, 2022. As we summarize below, the requirements contemplated by the Standards do not always build upon or complement regulatorily mandated requirements under SFDR – instead, certain provisions call

for tailored compliance processes specific to the Standards, which would not be efficient or helpful to investment funds or investors. Beyond Europe, given the widespread distribution and delegated management of EU UCITS funds in Asia, our members with operations in Asia are also focused on compliance with SFDR requirements. Asian regulators are also issuing or contemplating issuing their own regulations. For example, the securities regulator in Hong Kong recently issued guidance on ESG fund disclosures and the securities regulator in Singapore is expected to release similar guidance in the near future. We encourage the CFA to consider the cost/benefit analysis associated with these and other compliance impacts of any finalized recommendations.

Investment managers already have guidelines in place to determine what information to include in fund disclosures, including, to the extent applicable, the ESG aspects of a given investment strategy. Instead of building on these existing guidelines, the Standards in some ways take a completely new direction to investment fund disclosures. The Standards introduce new processes, requirements and interpretive challenges that are not complementary to existing disclosure requirements, and in some cases are contradictory to them. To the extent additional clarity is needed on what to include in fund disclosures, or how to present this information, regulatory bodies should be providing that guidance or requirements. We expand on this position in response to question 2 below. In short, the global ESG regulatory framework for both issuers and investment funds is evolving, and the usefulness of a non-regulatory entity playing a standard-setting or oversight role is yet to be determined or apparent. The CFA's efforts here are premature.

The Proposed Provisions in the Standards Raise a Number of Concerns

The Standards cover some of the types of information that should be included in disclosures related to an investment product's ESG-related strategies. The Standards as proposed, however, raise several substantive concerns with our members, which we elaborate on below. We also offer more specific feedback on certain draft provisions. We do not offer feedback, however, on every individual proposed provision, but rather focus our comments on those provisions that illustrate some of the thematic concerns we highlight below. To the extent we do not provide a response on a particular proposed provision, this is not meant to indicate that we endorse such provision. We would be happy to discuss or provide further views on other provisions with members of the CFA ESG Technical Committee.

The Standards at times conflate fund-level requirements with firm-level requirements. Although the CFA states that the Standards are intended to require only fund-level information, there are several sections that seemingly require information regarding firm-level processes. There are several issues with requiring information beyond the stated scope of the Standards. This type of requirement runs the risk of requiring disclosure of potentially proprietary information about a firm's investment processes, with no equivalent with respect to other investment related factors. Resulting disclosures could end up either understating or overstating a particular ESG-related claim, as well as creating investor confusion. For example, if a firm-level process is material to one ESG fund but not to a second ESG fund, it would be overstating the significance of the process to include relevant disclosure on the second fund, but seemingly misleading to represent the process for only the first fund because it is not a fund-specific process. Any investment product disclosure requirements, regardless of which entity is providing them, should be limited to fund-level information about ESG strategies. [10.A.1]

The Standards request certain information that goes beyond typical disclosure requirements in other contexts. Requiring “rationale” for certain decisions is not something investment funds’ advisers would typically include in disclosure and this type of required information would be extremely concerning from an investment management perspective. “Rationale” would encroach on information that may be considered proprietary to investment processes. Listing material changes to strategies, particularly with no time boundary, is not something that is required in other contexts – related to ESG or otherwise. Requiring disclosure related to the evaluation of the reliability of third party information is another example of disclosure that would not be required in other contexts. Explanation of material errors, descriptions of sources of ESG information and restrictions on use of third party information are other examples of information that would be novel to include in investment funds’ disclosures. It is of particular concern to our members that the CFA is proposing to include disclosure requirements that go beyond established disclosure principles from our members’ various regulators. Additionally, complying with many of these examples would require significant costs associated with implementation and oversight. [1.A.9, 2.A.8, 5.A.1, 5.A.2, 6.A.2, 7.A.1, 8.A.2]

Certain provisions introduce new standards to interpret and apply. A number of the proposed provisions include language that is open to interpretation. For example, what does “difficult for an investor to locate” mean? How does a fund “use ESG information”? What would constitute “inhibiting a typical investor’s understanding?” Under what circumstances can a third party’s information be deemed “reliable”? Each of these (and other) definitional and interpretational questions creates a need to define an internal process along with requirements and controls, oversight, maintenance and operational ownership. These new subjective terms also introduce an area that could result in wide variances in disclosure across fund complexes, which would be counter to the stated objectives of the Standards. [1.A.7, 1.A.8, 5.A.2, 7.A.1]

Certain provisions establish entirely new procedural requirements. The Standards require new policies and procedures to be created and put in place. The Standards also require a compliant presentation that must be updated for certain changes – changes that would not otherwise trigger a prospectus supplement. This result could create operational complexities. For example, if a compliant presentation for Fund A needs to be updated, Fund A’s prospectus would likely be updated to keep disclosure documents consistent for the fund. If a related change impacts Fund B, which does not comply with the Standards and does not have a compliant presentation, it would be potentially misleading to *not* supplement Fund B concurrently, but at the same time potentially misleading to supplement Fund B if the change is not something Fund B would typically supplement its disclosure documents for. The Standards also include a provision to provide a compliant presentation to all investors prior to their investment in a fund. This requirement is unworkable – a prospectus is typically provided to an investor at the time of purchase. There is no feasible way to ensure an investor reviews a document before purchasing shares of a fund. [1.A.1, 1.A.15, 2.A.7, 9.A.4, 1.A.12]

The Standards’ treatment of materiality throughout the draft provisions is concerning. Requirements in the Standards seemingly attempt to dictate new parameters and processes related to materiality. For example, mandating that the investment manager does not omit material information about the ESG-related features of an investment product raises a number of questions. Measuring materiality with regard to subjective ESG features is not as straightforward as materiality in other contexts where financial data can be used. Similar

concerns are present in provisions requiring information about material errors and material changes to ESG-related features. Prescriptive requirements like these that hinge on determinations of materiality, particularly when those determinations are based on qualitative information, have the potential to introduce an inconsistent and confusing ESG disclosure regime. Additionally, measures of materiality related to investment strategies should be applied at the product-level, not at the “feature-level.” The Standards call for materiality related only to the ESG-features of an investment product, which is problematic. If a so-called material change is required to be disclosed but the change is only material to the ESG feature, as opposed to the fund overall, resulting disclosure would be misleading. [1.A.4, 1.A.15, 2.A.7, 2.A.8]

<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>

The draft provisions attempt to establish a globally applicable disclosure regime for investment products. The draft provisions would be challenging to comply with for a number of reasons, including the fact that many of the provisions conflict with, or are inconsistent with, requirements of existing and developing ESG disclosure frameworks. Complying with the requirements of the draft provisions would introduce unnecessary and costly compliance burdens with no apparent benefit for funds and their investors.

Specific to the U.S., this question is difficult if not impossible to fully answer at this time because “local laws and regulations” are still in the process of being formulated. As we elaborate on below, we expect the SEC to take regulatory action on investment fund ESG disclosures in the very near future. Because of this, we encourage the CFA to refrain from finalizing the Standards until the SEC has had a chance to develop, implement and assess an ESG disclosure framework in the U.S. Furthermore, the draft provisions include a number of requirements that call for information beyond what is required in the U.S. by the Investment Company Act of 1940 (the “**1940 Act**”). (Please see our response to question 1 for some examples of these provisions.)

The SEC is actively focusing on defining the ESG regulatory landscape for investment funds. This focus has become increasingly clear in the time since the CFA’s Consultation Paper was released. In February 2021, the SEC appointed an “ESG and Climate Policy Advisor.” Later that month the SEC released an ESG Funds Investor Bulletin to assist investors in navigating their investments in ESG funds. During the first quarter of 2021, an SEC sweep exam took place related to asset managers’ use of ESG considerations in their investment processes. In March 2021, the SEC established a cross-agency Climate and ESG Task Force, housed in the Division of Enforcement. Also in March, the Division of Examinations listed climate-related risks on its 2021 examination priorities. On March 15, the SEC published a request for public input on climate change disclosures (the response deadline for which recently passed) which received hundreds of unique responses from investors, corporations and other market participants. In April 2021, the Division of Examinations published an ESG Risk Alert summarizing observations of ESG practices that Examinations viewed as either adequate or deficient. The SEC released its regulatory agenda in June 2021, listing an ESG rulemaking as a priority. Most recently, the SEC

Asset Management Advisory Committee’s (“AMAC”) ESG subcommittee approved final ESG recommendations to the SEC for both issuer and fund disclosures at a July 2021 AMAC meeting. At the same AMAC meeting, the SEC Chair made remarks alluding to further SEC examination of, and potential changes to, the rules and guidance surrounding fund names in order to address ESG and sustainable investing. Throughout this time, the current SEC commissioners have been particularly vocal about ESG topics in speeches and other public statements, signaling their commitment to pursuing regulatory solutions to the risks presented by both issuer disclosures and ESG investing by funds. Simply put, although the SEC has not taken formal regulatory action in this space yet, we are confident such action is imminent. SIFMA AMG, and our members in their individual capacities, frequently engage with the SEC during their rulemaking processes. This engagement typically includes submission of comment letters through the notice and comment process on proposals subject to the Administrative Procedures Act, as well as submission of responses to general requests, such as the climate change disclosures request for input mentioned above, which SIFMA AMG submitted a response to, as did many of our member firms. Should the SEC propose an ESG rule covering investment funds disclosure, we expect to, in turn, participate in the rulemaking process at that time (and recommend the CFA do the same, to the extent they feel their input could be valuable). We encourage the CFA to refrain from pursuing the Standards until the SEC has weighed in through formal regulatory action. We continue to believe that the SEC is the most appropriate entity to define ESG disclosure parameters and requirements for investment products in the U.S.

Specific to European jurisdictions, although Europe can be said to be “ahead” of the U.S. in defining the ESG regulatory landscape, in many ways some of the timing concerns expressed above are applicable to European jurisdictions as well. Although SFDR is currently in effect, funds and the market generally are still adjusting to the new regime, with further compliance efforts being required through 2022. Many of our member firms are in the process of implementing requirements under SFDR and internal compliance resources are stretched thin as they establish processes and develop internal controls. The Standards raise a number of examples of substantive conflict with SFDR requirements which would further increase this burden. These same internal resources are awaiting SEC regulatory action as well. Additionally, the International Organization of Securities Commissions (“IOSCO”) published a consultation in June 2021 regarding recommendations on sustainability-related practices, policies, procedures and disclosure, exemplifying that the global ESG/sustainable investment landscape is still very much in flux and developing. The Standards would be introducing additional requirements that would be costly and time consuming to implement – with no apparent benefits to firms, funds or investors.

<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>

Should the CFA move forward with the Standards as currently structured, compliance with the draft provisions would require our members to establish new processes and oversight structures (in order to produce, review and disseminate the required information), with associated significant costs. This compliance and financial burden would come with questionable benefit to funds and investors. Please see our comments in other sections of this response for more discussion regarding our concerns with the proposed Standards. We note

that the Exposure Draft does not include consideration of a cost/benefit analysis as is customary with proposals from our members' primary regulators.

<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>

Some of our members do not believe a compliant presentation under the CFA's proposed framework would assist with the types of client inquiries typically received regarding ESG topics. For our views on the compliant presentation please see our response to question 5 below.

<QUESTION_01_04>

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

<QUESTION_01_05>

As expanded on in other sections of our response, we do not think the CFA should proceed with the Standards. To the extent the CFA does proceed with the Standards, however, they should not recommend a standardized format or template for the proposed required information. The purpose of enhancing investment funds' disclosures of ESG-related information is to ensure investors are provided with adequate and clear information in order to make sound investment decisions. Investment products already have established channels to provide investors with material information regarding the products and their strategies. Introducing prescribed format requirements would be adding needless additional costs to well-developed processes. Additionally, a standardized template risks having the effect of stifling product innovation and growth, which would be harmful to investors and to capital markets generally. ESG as an investment factor is inherently broad and subjective, and ESG attributes do not necessarily fit within a template model as may be the case with other types of fund information (*e.g.*, fund performance information).

From a compliance perspective, we are concerned generally with the concept of a *compliant presentation*. Although the Exposure Draft states that the Standards do not require all of the required disclosures to be contained in a separate standalone document, certain provisions seem to indicate that a separate document is envisioned. We do not think a separate document should be required. Much of the information required by the Standards is included in various locations in funds' existing disclosure documents today. A separate document would result in duplicative and dilutive disclosures, which has the potential to defeat the purposes of establishing an ESG disclosure framework in the first place and may also serve to confuse fund investors. For example, the compliant presentation as proposed would potentially add considerable length to a U.S. mutual fund's summary prospectus and could require amendments to the SEC's Form N-1A to allow these additional disclosures to be included in the summary. The summary prospectus is a document that is intended to be concise, with strict limits on the information that can be included, and to provide fund information in an accessible format for investors. The compliant presentation would contain repetitive information to the summary prospectus' required content. Additionally, creation of an entirely novel and new disclosure

document would come with significant costs, regardless of length. Should such a document then be required to be independently examined and verified as well, as the Exposure Draft states is the intended next step, costs would increase even more. These additional costs would have uncertain benefits, if any. Our members are currently incurring the costs associated with complying with other ESG requirements – both voluntary and mandatory – and if additional disclosure requirements are established, we would much prefer these requirements be built into existing regulatory frameworks with the oversight of the SEC and other regulators.

<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>
ENTER RESPONSE HERE
<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>
ENTER RESPONSE HERE
<QUESTION_02_04>

Questions for Consultants and Advisors

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_03_01>
ENTER RESPONSE HERE
<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>
ENTER RESPONSE HERE
<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

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_05_01>
ENTER RESPONSE HERE
<QUESTION_05_01>

2. 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_05_02>
ENTER RESPONSE HERE
<QUESTION_05_02>

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

<QUESTION_05_03>
ENTER RESPONSE HERE
<QUESTION_05_03>

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

<QUESTION_05_04>
ENTER RESPONSE HERE
<QUESTION_05_04>

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

<QUESTION_05_05>
ENTER RESPONSE HERE
<QUESTION_05_05>

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

<QUESTION_05_06>
ENTER RESPONSE HERE
<QUESTION_05_06>

GENERAL PRINCIPLES FOR INVESTMENT PRODUCT DISCLOSURES

General comments on the Principles:

<COMMENT_00_00>
ENTER RESPONSE HERE
<COMMENT_00_00>

Comments on Principle #1:

<COMMENT_00_01>
ENTER RESPONSE HERE
<COMMENT_00_01>

Comments on Principle #2:

<COMMENT_00_02>
ENTER RESPONSE HERE
<COMMENT_00_02>

Comments on Principle #3:

<COMMENT_00_03>
ENTER RESPONSE HERE
<COMMENT_00_03>

Comments on Principle #4:

<COMMENT_00_04>
ENTER RESPONSE HERE
<COMMENT_00_04>

Comments on Principle #5:

<COMMENT_00_05>
ENTER RESPONSE HERE
<COMMENT_00_05>

SECTION 1: FUNDAMENTAL REQUIREMENTS AND RECOMMENDATIONS

General comments on Section 1:

<COMMENT_01A00>
ENTER RESPONSE HERE
<COMMENT_01A00>

Comments on Provision 1.A.1:

<COMMENT_01A01>
This provision requires funds to establish unique new policies and procedures and to build out a monitoring and oversight process specific to the Standards. The added costs and compliance burdens here are not justified.
<COMMENT_01A01>

Comments on Provision 1.A.2:

<COMMENT_01A02>
ENTER RESPONSE HERE
<COMMENT_01A02>

Comments on Provision 1.A.3:

<COMMENT_01A03>
ENTER RESPONSE HERE
<COMMENT_01A03>

Comments on Provision 1.A.4:

<COMMENT_01A04>
The Standards' treatment of materiality regarding information required by the draft provisions raises a number of concerns. A fund's prospectus and other disclosure documents already require material information needed for an investor to make an informed investment decision. This provision introduces confusion to a fund's determination of what to include in its disclosure. Should material information included be material to an investor's investment decision alone? Or material to an investor's consideration of only the ESG aspects of a fund? The note included to this provision is also concerning. It states that managers are encouraged to include information beyond what is required or recommended. This note conflicts with instructions for Form N-1A.
<COMMENT_01A04>

Comments on Provision 1.A.5:

<COMMENT_01A05>
ENTER RESPONSE HERE
<COMMENT_01A05>

Comments on Provision 1.A.6:

<COMMENT_01A06>
ENTER RESPONSE HERE
<COMMENT_01A06>

Comments on Provision 1.A.7:

<COMMENT_01A07>

This provision and the note that accompanies it demonstrate examples of where the Standards introduce new terminology and interpretive questions that investment managers would need to resolve and implement. Responsiveness to these new interpretive questions potentially conflicts with existing SEC requirements for the presentation of information to be in plain English. For example, what does it mean for disclosure to “likely inhibit a typical investor’s understanding” of an investment product? A fund would need to consider what the threshold for “likely” is, what a “typical investor” might be and what that typical investor’s understanding of an investment product is. Would a “typical investor” need to be defined for every fund individually? The note accompanying this provision directs funds to make sure “unfamiliar” terms are “well-defined” or avoided...but also not to generalize information too much. In addition to introducing these subjective complexities to disclosure requirements surrounding ESG products, these requirements would be unique to a firm’s ESG products. Determinations of disclosure related to other funds and other strategy features would not be subject to the same requirements and assessments. This has the potential to result in skewed or misleading disclosure.

<COMMENT_01A07>

Comments on Provision 1.A.8:

<COMMENT_01A08>

The Standards claim to not require a separate standalone compliant presentation, yet provisions like this one seem to imply that this will indeed be required. The note to this provision suggests either a standalone document or a clearly defined section of an existing document would suffice. Much of the required information is duplicative to existing disclosures, which could result in information dilution and potentially investor confusion (*e.g.*, by over-emphasizing the ESG features of a fund). Additionally, compliance with this requirement would likely mean significantly increasing the length of existing fund disclosures. Except for the summary prospectus, the instructions to Form N-1A do not impose this standard, and only require that information be organized to make it easy for investors to understand: *Organize the information in the prospectus and SAI to make it easy for investors to understand. Notwithstanding rule 421(a) under the Securities Act regarding the order of information required in a prospectus, disclose the information required by Items 2 through 8 in numerical order at the front of the prospectus.*

<COMMENT_01A08>

Comments on Provision 1.A.9:

<COMMENT_01A09>

This provision implies that for an investment manager electing to voluntarily comply with the Standards, the only third party information that they would be able to use is information from a

third party who also complies with the Standards. This requirement goes beyond required disclosure and instead mandates certain practices. There is no equivalent precedent for due diligence and recordkeeping for other third party providers of investment research to asset managers. In some cases, this latter type of research is more fundamental to even an ESG-focused mandate.

<COMMENT_01A09>

Comments on Provision 1.A.10:

<COMMENT_01A10>
ENTER RESPONSE HERE
<COMMENT_01A10>

Comments on Provision 1.A.11:

<COMMENT_01A11>
ENTER RESPONSE HERE
<COMMENT_01A11>

Comments on Provision 1.A.12:

<COMMENT_01A12>
ENTER RESPONSE HERE
<COMMENT_01A12>

Comments on Provision 1.A.13:

<COMMENT_01A13>
ENTER RESPONSE HERE
<COMMENT_01A13>

Comments on Provision 1.A.14:

<COMMENT_01A14>
ENTER RESPONSE HERE
<COMMENT_01A14>

Comments on Provision 1.A.15:

<COMMENT_01A15>
This provision raises both substantive and procedural concerns with our members. Determination of what a material error is presents interpretive subjective questions about materiality in an ESG context. Please see our response to question 2 above. What does it mean to make “every reasonable effort” to correct disclosure? This requirement potentially conflicts with funds’ existing well-established processes to update fund disclosures when necessary, in accordance with regulatory requirements. The requirement in this provision to provide an “explanation of the material error” in an example of information that is not required in other contexts. We are concerned with a non-regulatory entity proposing disclosure requirements

that do not exist today for investment products. This provision would also be costly to comply with while raising the concerns we articulated.

<COMMENT_01A15>

Comments on Provision 1.A.16:

<COMMENT_01A16>
ENTER RESPONSE HERE
<COMMENT_01A16>

Comments on Provision 1.A.17:

<COMMENT_01A17>
ENTER RESPONSE HERE
<COMMENT_01A17>

Comments on Provision 1.A.18:

<COMMENT_01A18>
ENTER RESPONSE HERE
<COMMENT_01A18>

Comments on Provision 1.A.19:

<COMMENT_01A19>
ENTER RESPONSE HERE
<COMMENT_01A19>

Comments on Provision 1.B.1:

<COMMENT_01B01>
ENTER RESPONSE HERE
<COMMENT_01B01>

Comments on Provision 1.B.2:

<COMMENT_01B02>

This provision is a recommendation in the Standards that a third party examine and verify the information contained in a fund's compliant presentation. We note that although this audit provision is not required by the Standards, in practice this will most likely become *de facto* required of funds producing a compliant presentation. Similar market practices have emerged regarding funds' compliance with the CFA's Global Investment Performance Standards ("GIPS"). The requirement under provision 2.A.6 to include one of two alternate statements on a compliant presentation (one for verified presentations, one for non-verified presentations) will likely contribute to funds taking on the recommendation in provision 1.B.2 to have a third party conduct an independent examination.

<COMMENT_01B02>

SECTION 2: GENERAL INFORMATION

General comments on Section 2:

<COMMENT_02A00>
ENTER RESPONSE HERE
<COMMENT_02A00>

Comments on Provision 2.A.1:

<COMMENT_02A01>
ENTER RESPONSE HERE
<COMMENT_02A01>

Comments on Provision 2.A.2:

<COMMENT_02A02>
ENTER RESPONSE HERE
<COMMENT_02A02>

Comments on Provision 2.A.3:

<COMMENT_02A03>
ENTER RESPONSE HERE
<COMMENT_02A03>

Comments on Provision 2.A.4:

<COMMENT_02A04>
ENTER RESPONSE HERE
<COMMENT_02A04>

Comments on Provision 2.A.5:

<COMMENT_02A05>
ENTER RESPONSE HERE
<COMMENT_02A05>

Comments on Provision 2.A.6:

<COMMENT_02A06>
Please see our response to provision 1.B.2.
<COMMENT_02A06>

Comments on Provision 2.A.7:

<COMMENT_02A07>

Please see our responses to other provisions and questions in the Exposure Draft for our concerns regarding the CFA’s treatment of materiality determinations throughout the Standards. In summary, we feel materiality is best left to regulators to define and provide clarifying guidance on.

This provision also generally does not sync with other shareholder notification rules that investment products operate under effectively today. It would not make sense for ESG-related changes to necessitate shareholder notification, where other changes might not. There is an ambiguity in this requirement in that it is not clear if materiality should be evaluated in the context of the investment product overall or in the context of just the ESG-related factors. If the latter, this would result in a distorted materiality standard. This provision is an example of when the Standards are not building on existing processes and requirements.

<COMMENT_02A07>

Comments on Provision 2.A.8:

<COMMENT_02A08>

Please see our responses to other provisions and questions in the Exposure Draft for our concerns regarding the CFA’s treatment of materiality determinations throughout the Standards.

Additionally, this provision calls for information about ESG changes that is not required of other types of changes under the 1940 Act and other regulatory regimes. This requirement seems to place outsized importance on ESG-related changes, which could be misleading or confusing to investors. The “since inception” look back for changes could result in lengthy and irrelevant information. This provision also raises concerns of liability given the required timeframe for disclosure.

<COMMENT_02A08>

Comments on Provision 2.B.1:

<COMMENT_02B01>

ENTER RESPONSE HERE

<COMMENT_02B01>

SECTION 3: OBJECTIVES

General comments on Section 3:

<COMMENT_03A00>
ENTER RESPONSE HERE
<COMMENT_03A00>

Comments on Provision 3.A.1:

<COMMENT_03A01>
We are concerned that the requirements in this provision go beyond existing disclosure obligations in place for investment funds with respect to investment objectives and investment strategies. For example, a fund's investment objective is the first disclosure (aside from information on the document's cover) required to be presented in a U.S. mutual fund's prospectus and it is not permitted to include information proposed in this provision. Also, requiring the timing of the desired outcome of an objective goes beyond existing disclosure principles and requirements. The requirements in this provision are overreaching and burdensome, and call for information that is contradictory to existing requirements in the U.S. and Europe.
<COMMENT_03A01>

Comments on Provision 3.A.2:

<COMMENT_03A02>
This provision raises the same concerns we articulated in response to provision 3.A.1. This type of disclosure is not required or typical in other contexts. Neither regulatory requirements nor standard industry practices disclose these types of details regarding a fund's investment objective(s), ESG-related or otherwise.
<COMMENT_03A02>

Comments on Provision 3.B.1:

<COMMENT_03B01>
ENTER RESPONSE HERE
<COMMENT_03B01>

SECTION 4: BENCHMARKS

General comments on Section 4:

<COMMENT_04A00>
ENTER RESPONSE HERE
<COMMENT_04A00>

Comments on Provision 4.A.1:

<COMMENT_04A01>
ENTER RESPONSE HERE
<COMMENT_04A01>

Comments on Provision 4.A.2:

<COMMENT_04A02>
ENTER RESPONSE HERE
<COMMENT_04A02>

Comments on Provision 4.A.3:

<COMMENT_04A03>
ENTER RESPONSE HERE
<COMMENT_04A03>

SECTION 5: SOURCES AND TYPES OF ESG INFORMATION

General comments on Section 5:

<COMMENT_05A00>
ENTER RESPONSE HERE
<COMMENT_05A00>

Comments on Provision 5.A.1:

<COMMENT_05A01>
This provision goes beyond existing disclosure requirements and practices. It raises both interpretive questions (*e.g.*, what does it mean for ESG information to be “used in an investment process”) and proprietary information concerns. For funds that utilize a proprietary ESG process, this provision calls for details that would require a fund to disclose more than is typically required (or necessary) about a proprietary process. Also, for funds that use ESG information to a more limited extent, this provision could trigger misleading or skewed disclosure about that fund’s strategy as ESG information used may end up being over-stated or overemphasized in an effort to comply with the provision.
<COMMENT_05A01>

Comments on Provision 5.A.2:

<COMMENT_05A02>
This provision goes beyond requiring disclosure and establishes a new due diligence standard for third parties and data. A description of “efforts taken” on any aspect of the implementation of an investment strategy would be novel. This provision is one example of overreach by the CFA in developing the Standards. Investment managers have a fiduciary duty to the funds they manage and to those funds’ shareholders. Investors expect investment managers to evaluate the reliability of any information used to make investment decisions as part of the managers’ fiduciary obligations.
<COMMENT_05A02>

SECTION 6: ESG EXCLUSIONS

General comments on Section 6:

<COMMENT_06A00>
ENTER RESPONSE HERE
<COMMENT_06A00>

Comments on Provision 6.A.1:

<COMMENT_06A01>
ENTER RESPONSE HERE
<COMMENT_06A01>

Comments on Provision 6.A.2:

<COMMENT_06A02>
This provision includes a concerning theme contained in the Standards. Requiring the “rationale” for any aspect of an investment strategy is troubling. The rationale for exclusions (and other investment decisions) is frequently considered to be part of a proprietary process. This requirement is concerning because a fund is being asked to disclose what could be considered intellectual property. There is no equivalent requirement to provide this level of detail with respect to other factors used in investment processes.
<COMMENT_06A02>

Comments on Provision 6.A.3:

<COMMENT_06A03>
ENTER RESPONSE HERE
<COMMENT_06A03>

Comments on Provision 6.A.4:

<COMMENT_06A04>
ENTER RESPONSE HERE
<COMMENT_06A04>

SECTION 7: ESG INFORMATION IN FINANCIAL ANALYSIS AND VALUATION

General comments on Section 7:

<COMMENT_07A00>
ENTER RESPONSE HERE
<COMMENT_07A00>

Comments on Provision 7.A.1:

<COMMENT_07A01>
This provision is again an example of the Standards asking for information that is often considered to be part of an adviser's proprietary process. "Rationale" goes beyond typical disclosures about an investment fund. Similar to our responses above to other provisions, such information could be considered intellectual property of an investment manager.

Additionally, the note to this provision seems to mandate specific rationale language, and encourages language that seems to imply promises/guarantees (*e.g.*, "...the value and importance that financially material ESG information has..."). Finally, the distinction between financially material ESG information and traditional financial information may be challenging or impossible to make.

<COMMENT_07A01>

Comments on Provision 7.A.2:

<COMMENT_07A02>
ENTER RESPONSE HERE
<COMMENT_07A02>

Comments on Provision 7.A.3:

<COMMENT_07A03>
ENTER RESPONSE HERE
<COMMENT_07A03>

Comments on Provision 7.A.4:

<COMMENT_07A04>
ENTER RESPONSE HERE
<COMMENT_07A04>

SECTION 8: PORTFOLIO-LEVEL ESG CRITERIA AND CHARACTERISTICS

General comments on Section 8:

<COMMENT_08A00>
ENTER RESPONSE HERE
<COMMENT_08A00>

Comments on Provision 8.A.1:

<COMMENT_08A01>
ENTER RESPONSE HERE
<COMMENT_08A01>

Comments on Provision 8.A.2:

<COMMENT_08A02>
Please see our responses to provisions 6.A.2 and 7.A.1 for our views on requiring “rationale” for components of a fund’s investment strategies.
<COMMENT_08A02>

Comments on Provision 8.B.1:

<COMMENT_08B01>
ENTER RESPONSE HERE
<COMMENT_08B01>

SECTION 9: PROCESS TO ACHIEVE IMPACT OBJECTIVE

General comments on Section 9:

<COMMENT_09A00>
ENTER RESPONSE HERE
<COMMENT_09A00>

Comments on Provision 9.A.1:

<COMMENT_09A01>
ENTER RESPONSE HERE
<COMMENT_09A01>

Comments on Provision 9.A.2:

<COMMENT_09A02>
ENTER RESPONSE HERE
<COMMENT_09A02>

Comments on Provision 9.A.3:

<COMMENT_09A03>
ENTER RESPONSE HERE
<COMMENT_09A03>

Comments on Provision 9.A.4:

<COMMENT_09A04>
This provision raises concerns similar to those that we articulate in our responses to other provisions and questions in the Exposure Draft. Specifically, the requirement to disclose the negative impacts of investments on ALL ESG issues, even if unrelated to the impact objective the fund is seeking to achieve, is mandating activities that go beyond the primary objective of an impact fund. Not only does this provision call for information beyond what is typically provided regarding impact funds' investment strategies and risks, this provision seemingly calls for impact assessments outside of a fund's stated strategies. Compliance with this provision would be challenging and resulting disclosures would likely be misleading and confusing.
<COMMENT_09A04>

Comments on Provision 9.A.5:

<COMMENT_09A05>
ENTER RESPONSE HERE
<COMMENT_09A05>

Comments on Provision 9.B.1:

<COMMENT_09B01>
ENTER RESPONSE HERE
<COMMENT_09B01>

SECTION 10: STEWARDSHIP

General comments on Section 10:

<COMMENT_10A00>
ENTER RESPONSE HERE
<COMMENT_10A00>

Comments on Provision 10.A.1:

<COMMENT_10A01>
This provision illustrates one of our leading concerns with the Exposure Draft. The CFA purports to have put forth a set of product-specific disclosure requirements. This provision, however, in requiring information about firm-wide policies and procedures, conflates fund disclosure and firm disclosure requirements. Proxy voting policies, for example, are typically disclosed only in funds' Statements of Additional Information. This provision would give prominence to those disclosures, which does not currently exist. In addition, as a general matter, certain firm-wide investment policies are not disclosed in a product-specific disclosure document, but rather in the product sponsor's or investment manager's Form ADV or equivalent. The Standards conflict with existing disclosure regimes in this regard.
<COMMENT_10A01>

Comments on Provision 10.A.2:

<COMMENT_10A02>
ENTER RESPONSE HERE
<COMMENT_10A02>

Comments on Provision 10.A.3:

<COMMENT_10A03>
ENTER RESPONSE HERE
<COMMENT_10A03>

Comments on Provision 10.A.4:

<COMMENT_10A04>
ENTER RESPONSE HERE
<COMMENT_10A04>

Comments on Provision 10.B.1:

<COMMENT_10B01>
ENTER RESPONSE HERE
<COMMENT_10B01>

GLOSSARY

General comments on Glossary:

<COMMENT_11A00>
ENTER RESPONSE HERE
<COMMENT_11A00>

Comments on **BENCHMARK**:

<COMMENT_11A01>
ENTER RESPONSE HERE
<COMMENT_11A01>

Comments on **COMPLIANT PRESENTATION**:

<COMMENT_11A02>
ENTER RESPONSE HERE
<COMMENT_11A02>

Comments on **ESG INFORMATION**:

<COMMENT_11A03>
ENTER RESPONSE HERE
<COMMENT_11A03>

Comments on **ESG ISSUE**:

<COMMENT_11A04>
ENTER RESPONSE HERE
<COMMENT_11A04>

Comments on **EXCLUSION**:

<COMMENT_11A05>
ENTER RESPONSE HERE
<COMMENT_11A05>

Comments on **FINANCIAL OBJECTIVE**:

<COMMENT_11A06>
ENTER RESPONSE HERE
<COMMENT_11A06>

Comments on **IMPACT OBJECTIVE**:

<COMMENT_11A07>

ENTER RESPONSE HERE
<COMMENT_11A07>

Comments on **INVESTMENT MANAGER**:

<COMMENT_11A08>
ENTER RESPONSE HERE
<COMMENT_11A08>

Comments on **INVESTMENT PRODUCT**:

<COMMENT_11A09>
ENTER RESPONSE HERE
<COMMENT_11A09>

Comments on **INVESTOR**:

<COMMENT_11A10>
ENTER RESPONSE HERE
<COMMENT_11A10>

Comments on **STEWARDSHIP**:

<COMMENT_11A11>
ENTER RESPONSE HERE
<COMMENT_11A11>

Comments on **STEWARDSHIP ACTIVITY**:

<COMMENT_11A12>
We note that the definition of “Stewardship Activity” contained in the Exposure Draft includes several activities that are financial decisions rather than stewardship activities. These include “enforcement of covenants,” “exercise of warrants or embedded options,” and “lending of securities.” Should the CFA move forward with the Standards, and should the CFA decide to include a definitional glossary in their Standards, we strongly encourage the CFA to be precise in their utilization of established financial concepts and terminology.
<COMMENT_11A12>

GENERAL COMMENTS

General comments on Exposure Draft:

<COMMENT_12A00>

The Asset Management Group of the Securities Industry and Financial Markets Association (“**SIFMA AMG**”) brings the asset management community together to provide views on U.S. and global policy and to create industry best practices. SIFMA AMG’s members represent U.S. and global asset management firms whose combined assets under management exceed \$45 trillion. The clients of SIFMA AMG member firms include, among others, tens of millions of individual investors, registered investment companies, endowments, public and private pension funds, UCITS and private funds such as hedge funds and private equity funds. For more information, visit <http://www.SIFMA AMG.org/amg>. This response is also submitted on behalf of the Asset Management Group of the Asia Securities Industry and Financial Markets Association (“**ASIFMA AMG**”), which includes many of the largest global asset managers and a few regional asset managers.

We appreciate the opportunity to provide feedback on the Exposure Draft. As we have highlighted in our comments above, we do not feel the CFA should move forward with the Standards. If they do move forward, we encourage the CFA to wait until ESG disclosure requirements are more established and the SEC takes regulatory action in this space in order to evaluate how the CFA can be most helpful in contributing to the global ESG fund disclosures landscape. We also strongly encourage the CFA to provide written comments to the SEC on any ESG disclosure rule that the SEC proposes. Given the CFA’s experience and industry perspective, the CFA’s active engagement on an SEC ESG rulemaking could be a valuable use of CFA’s time and resources.

To the extent the CFA proceeds with the November 2021 timeline articulated in the Exposure Draft, we hope the Standards are adjusted to reflect industry feedback received from all participants in the consultation process, including the concerns we express throughout our response to the Exposure Draft.

<COMMENT_12A00>