

# GLOBAL ESG DISCLOSURE STANDARDS FOR INVESTMENT PRODUCTS

## FREQUENTLY ASKED QUESTIONS (FAQs)

### **What are the Global ESG Disclosure Standards for Investment Products?**

The Global ESG Disclosure Standards for Investment Products are ethical standards for the fair representation and full disclosure of an investment product's ESG approaches.

### **What is an "ESG approach"?**

The Global ESG Disclosure Standards for Investment Products use the term "ESG approach" to refer to any one of a variety of methods for considering ESG issues in an investment product's objectives, investment process, or stewardship activities. This term includes but is not limited to approaches that are often referred to as ESG integration, exclusion, screening, best-in-class, thematic, sustainability themed investing, impact investing, and stewardship.

### **What is the purpose of the Global ESG Disclosure Standards for Investment Products? What problems do they address?**

Many individual and institutional investors have ESG-related preferences that they wish to consider when choosing investment products. It is difficult, however, for investors to understand, evaluate, and compare the ESG approaches used in investment products because investment product ESG disclosures are often incomplete, inconsistent, unclear, or difficult to access.

The inadequacies of current investment product ESG disclosure practices have resulted in allegations of "greenwashing," whereby marketing materials intentionally or inadvertently mislead investors about the ESG approaches used in an investment product, the ESG characteristics of an investment product, or the degree of influence that an investment product has on ESG issues.

The Global ESG Disclosure Standards for Investment Products seek to mitigate "greenwashing" and provide transparency about the ESG approaches used in investment products by standardizing the information that is disclosed about an investment product's consideration of ESG issues in its objectives, investment process, or stewardship activities.

## **Do the Global ESG Disclosure Standards for Investment Products include requirements for naming, labeling, or classifying investment products?**

No. The Global ESG Disclosure Standards for Investment Products use the term “ESG” as a descriptor to distinguish information, issues, and approaches that are connected in some form to the environment, society, and corporate governance from information, issues, and approaches that are not connected. The Standards do not use the term “ESG” as a descriptor to distinguish between different types of investment products, nor do they offer any criteria or guidance for what is or is not an “ESG” investment product, a “responsible” investment product, or a “sustainable” investment product.

## **Are the Global ESG Disclosure Standards for Investment Products applicable to all investment products?**

The Global ESG Disclosure Standards for Investment Products have been designed to accommodate the full range of investment vehicles, asset classes, and ESG approaches offered in markets around the world.

An investment product does not need to be named, labeled or classified as an “ESG” investment product for the Standards to apply. For example, many traditional investment products systematically consider financially material ESG information in investment decisions. The Standards have disclosure requirements pertaining to this ESG approach.

Some investment products do not use any ESG approaches. The Standards are not applicable to such investment products.

## **How do the Global ESG Disclosure Standards for Investment Products differ from regulations and other standards that address investment product ESG disclosures?**

The Global ESG Disclosure Standards for Investment Products are designed to accommodate the full range of investment vehicles, asset classes, and ESG approaches offered in markets around the world. Regulation is inherently limited by geopolitical boundaries and does not always comprehensively cover all participants within a market. The disclosure frameworks developed by other organizations prior to the development of the Standards (e.g., the European SRI Transparency Code [for European retail funds], the Operating Principles for Impact Management [for impact strategies], and the INREV Sustainability Reporting Guidelines [for non-listed real estate strategies]) address only certain types of investment vehicles, asset classes, and ESG approaches. By addressing the full range of investment vehicles, asset classes, and ESG approaches offered in markets around the world, the Standards provide a harmonized, global approach to investment product ESG disclosures.

Appendix D of the Standards provides more detail about the Standards' relationship to key regulations and voluntary standards. For information on how the disclosure requirements of the Standards compare to the European Union Sustainable Finance Disclosure Regulation regulations, please see the document titled "Sustainable Finance Disclosure Regulation (SFDR) Cross-Reference" on the [ESG Standards Webpage](#).

### **How does an investment manager make a "claim of compliance" with the Global ESG Disclosure Standards for Investment Products?**

When an investment manager chooses to apply the Global ESG Disclosure Standards for Investment Products to a specific investment product, it must prepare an ESG Disclosure Statement for that investment product. An ESG Disclosure Statement is a document that contains all of the disclosures required by the Standards that apply to a specific investment product. One of the required disclosures is a statement that the ESG Disclosure Statement (for a specified period) complies with the disclosure requirements of the Standards and that the investment manager has complied with the requirements of the Standards related to the preparation and presentation of the ESG Disclosure Statement. Provision 2.A.1.g of the Standards contains the exact wording that must be used.

The statement of compliance within an ESG Disclosure Statement does not imply that the investment manager has applied the Global ESG Disclosure Standards for Investment Products to all, or any other, of its investment products.

### **Is independent assurance required to make a claim of compliance with the Global ESG Disclosure Standards for Investment Products?**

No. Independent assurance is recommended but not required. An investment manager may choose to have an independent third party provide assurance for one or more of its ESG Disclosure Statements.

### **Does CFA Institute review investment managers' ESG Disclosure Statements?**

No. CFA Institute does not warrant the accuracy or quality of the content contained in any ESG Disclosure Statement, nor does CFA Institute endorse or promote organizations that use the Global ESG Disclosure Standards for Investment Products.

### **Must an investment manager apply the Global ESG Disclosure Standards for Investment Products to all of its investment products?**

No. Compliance with the Global ESG Disclosure Standards for Investment Products is voluntary. An investment manager may choose the investment products to which it applies the Standards.

Investment managers are encouraged, however, to prepare and make available ESG Disclosure Statements for all applicable investment products. Investors are encouraged to request ESG Disclosure Statements for investment products that interest them and that incorporate an ESG approach.

### **How can investors obtain an ESG Disclosure Statement for an investment product?**

Investment managers must make ESG Disclosure Statements available to investors by posting them on a website or distributing them through other means.

### **Why are investment managers required to notify CFA Institute of their use of the Global ESG Disclosure Standards for Investment Products?**

CFA Institute requires investment managers to notify CFA Institute of their use of the Global ESG Disclosure Standards for Investment Products so that CFA Institute can (1) notify users when changes are made to the Standards, and (2) assess the value of the Standards by tracking statistics on their adoption by investment managers. Investment managers that notify CFA Institute of their use of the Global ESG Disclosure Standards for Investment Products will be listed on the CFA Institute website.

### **How do the Global ESG Disclosure Standards for Investment Products differ from the Exposure Draft?**

Please see the document titled “Adopting Release” on the [ESG Standards Webpage](#) under the link “The Standards-Setting Process.”

### **How are the Global ESG Disclosure Standards for Investment Products related to the Certificate in ESG Investing and the CFA Program®?**

Within CFA Institute, codes and standards are independent from credentialing programs. The objective of CFA Institute credentialing programs is to equip individuals with the knowledge and skills needed for roles in the investment profession. The objective of the CFA Institute codes and standards is to advance professional excellence and market integrity.

### **How can I learn more about the Global ESG Disclosure Standards for Investment Products?**

More information about the Global ESG Disclosure Standards for Investment Products is available on the [ESG Standards Webpage](#). Workshops to help practitioners understand and apply the Global ESG Disclosure Standards for Investment Products will be offered at a future date.