

PROPOSAL FOR ESG-RELATED FEATURES

The task of defining ESG-related features involves deriving commonalities from the many variations of investment products with ESG-related features. To find commonality, one must first identify the features that relate specifically to ESG matters and then clearly distinguish among those features. Such an exercise is not an exact science; some will see more distinctions than others.

Through a review of works published by other organizations and of investment products in the marketplace, we have identified six ESG-related features:

Proposed Feature Name	Brief Description of Feature Function
ESG Integration	Explicitly considers ESG-related factors that are material to the risk and return of the investment, alongside traditional financial factors, when making investment decisions
ESG-Related Exclusions	Excludes securities, issuers, or companies from the investment product based on certain ESG-related activities, business practices, or business segments.
Best-in-Class	Aims to invest in companies and issuers that perform better than peers on one or more performance metrics related to ESG matters.
ESG-Related Thematic Focus	Aims to invest in sectors, industries, or companies that are expected to benefit from long-term macro or structural ESG-related trends.
Impact Objective	Seeks to generate a positive, measurable social or environmental impact alongside a financial return.
Proxy Voting, Engagement, and Stewardship	Uses rights and position of ownership to influence issuers' or companies' activities or behaviors.

[View Consultation Paper](#)

Excerpt from "Consultation Paper on the Development of the CFA Institute ESG Disclosure Standards for Investment Products." Pages 12-23, including Exhibit 1. August 2020.