

**Response Form**  
**for the**  
***Consultation Paper on the development of the***  
***CFA Institute ESG Disclosure Standards for Investment Products***

CFA Institute is developing a voluntary, global industry standard, the CFA Institute ESG Disclosure Standards for Investment Products (the “Standard”), to establish disclosure requirements for investment products with ESG-related features. The purpose of the Standard is to provide greater transparency and comparability for investors by enabling asset managers to clearly communicate the ESG-related features of their investment products. The goal for this Consultation Paper is to elicit feedback on the proposed scope, structure, and design principles of the Standard. **All comments must be received by 19 October 2020 in order to be considered.**

**Providing Feedback**

Public commentary on this Consultation Paper will help shape an Exposure Draft, the initial version of the Standard, which is expected to be issued in May 2021. Comments should be provided in this response form. You may address as few or as many of the Consultation Paper’s questions as you wish. 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.

There is a section for general comments at the end of this response form.

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

Requirements for submission

For comments to be considered, please adhere to the following requirements:

- Insert responses to numbered questions in the designated areas of the response form. Please do not remove tags of the type <QUESTION\_XX>. Your response to each question must be framed by the two tags corresponding to the question. If you do not wish to respond to a given question, please do not delete it but simply leave the text “ENTER RESPONSE HERE” between the tags.
- Provide all comments in English.
- Assign a unique file name to your response form.
- Submit the response form as a Microsoft Word document.
- Submit the response form to [standards@cfainstitute.org](mailto:standards@cfainstitute.org) by 5:00 PM E.T. on 19 October 2020.

## General Information (required)

<b>Respondent:</b> <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>	Association Française de la Gestion financière (AFG)
<b>Stakeholder Group:</b> <i>(Please select the stakeholder group with which you most closely identify.)</i>	Asset Manager
<b>Region:</b> <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>	Europe
<b>Country:</b> <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>	France
<b>Confidentiality Preference:</b> <i>(Please select your preference for whether your response is published on the CFA Institute website.)</i>	yes, my response may be published

## Consultation Paper Questions

### **Market Needs**

**Question 1: Do you agree that a standard is needed to help investors better understand and compare investment products with ESG-related features?**

<QUESTION\_01>

Yes, we do. As there are many different ways to integrate ESG features, the retained approach has to be similar for all investors or asset managers.

Furthermore, with regards to the exponential growth of ESG investment products we believe that a standard is necessary to provide greater transparency helping investors to better understand the different ESG approaches used in order to be able to compare them.

**In Europe, a similar exercise is already taking place and is currently at an advanced stage. The European exercise is led by Public Authorities. Thus, a regulatory regime on sustainable finance is already almost in place and ESG standards' setting is fully part of it (SFDR, Taxonomy, NFRD...). Even if ESG rules are still moving in Europe, we think that CFA's involvement comes at a too early stage of the process because such standard is currently being designed at least at the EU level with European Public Authorities.**

<QUESTION\_01>

### **Terminology**

**Question 2: Are any of the defined terms ambiguous? If so, how could they be clarified?**

<QUESTION\_02>

The definitions are clear.

We would like to add the following:

- Investment products: according to the French SRI Label, segregated accounts can be included
- In an ESG definition, sometimes Human Rights are also seen as a 4th pillar.

<QUESTION\_02>

### **Purpose and Scope**

**Question 3: In addition to the examples listed in Table 1, which regulations and standards, either in existence or in development, should be considered during the development of the Standard to avoid duplication or conflict and to ensure alignment and referencing if and when applicable?**

<QUESTION\_03>

In France there is the AMF (French market regulator) Doctrine. Is it the same on other financial marketplaces? i.e. Are market authorities also deeply involved in ESG-related features in other [EU] countries?

Regarding Specifications for investment, all Labels should be listed, including Greenfin Label or the German Label. In addition, it would be interesting to take into account the current work carried out by the European Commission on the creation of a European label for SRI investment funds in addition to the EU Ecolabel.

Regarding the classification of economic activities, NACE developments should be added, in line with the Taxonomy.

Regarding Codes and Principles, UN Global Compact 10 principles should be added.

<QUESTION\_03>

**Question 4: Do you agree that a disclosure-based approach would be more helpful to achieve the Standard's goals of transparency and comparability than a prescriptive-based approach?**

<QUESTION\_04>

Yes, disclosure-based approach seems more helpful to achieve a better transparency and comparability among the different financial products. However, this requires the investor to know exactly what his needs are.

We agree that responsibility on the investor side is not a problem, but only if audited. An external control is needed for disclosure-based approach. However, as this market is still lacking standardized ESG data, it would be a preliminary step to define on a prescriptive based the standardization of ESG data.

We also experienced that some examples should be required to qualify the ESG consistency.

<QUESTION\_04>

**Question 5: Do you agree that the Standard should focus only on product-level disclosures and not firm-level disclosures?**

<QUESTION\_05>

Yes we agree but we think that custom Standard should apply (to be adapted) progressively at firm level if we want to build a sustainable future. Furthermore, both levels are complementary, and a standard is also needed regarding firm-level approaches.

<QUESTION\_05>

**Question 6: Do you agree that an asset manager should be permitted to choose the investment products to which they apply the Standard rather than be required to apply the Standard to all their investment products with ESG-related features?**

<QUESTION\_06>

We agree but nonetheless the AM should mention clearly what/why the investment product is not in line with ESG-related features. Otherwise, it will not be a standard if all investment products with ESG-related features are not required to comply with all the standard's requirements.

<QUESTION\_06>

### **Design Principles**

**Question 7: Do you agree with the design principles for definitions of ESG-related terms?**

<QUESTION\_07>

Yes

<QUESTION\_07>

**Question 8: Do you agree with the design principles for disclosure requirements?**

<QUESTION\_08>

We do not entirely agree: The disclosure requirements should prioritize content over format. To be a standard and to be understood by everyone, it should have a certain format, and not provide that much flexibility on how the information is disclosed.

<QUESTION\_08>

**Question 9: Should the Standard require that all disclosures be made in a single document? If disclosures were spread across multiple documents, would that pose a challenge for investors to understand and compare investment products?**

<QUESTION\_09>

It is definitely easier if all disclosures are made in a single document. Professionals can deal with different documents, but it is not the case for all investors.

<QUESTION\_09>

**Question 10: Do you agree with the design principle for independent examination?**

<QUESTION\_10>

We don't agree except if required by regulators. What would be the cost for independent examination? Is it in the hand of a global organization?

<QUESTION\_10>

**Question 11: Should independent examination be required, or should it be recommended as best practice but ultimately left to the discretion of the asset manager?**

<QUESTION\_11>

It should be left at the discretion of each asset manager except if required by regulators. Nonetheless, it could be recommended as a best practice (cost matters).

<QUESTION\_11>

**Question 12: Should the independent examiner (i) examine the disclosures relative to only the design of the investment product, or (ii) examine the disclosures relative to both the design and implementation of the investment product?**

<QUESTION\_12>

(ii): examine the disclosures relative to both the design and implementation of the investment product

<QUESTION\_12>

### **Proposal for General Disclosure Requirements**

**Question 13: Do you agree with the scope of the general disclosure requirements? Are there topics that should be added, deleted, or modified?**

<QUESTION\_13>

Yes even if we suggest to introduce the notion of investible universe which can be different from the benchmark; and we ask for ESG risks and biases between fund/benchmark.

<QUESTION\_13>

**Question 14: Should the disclosure requirements address an investment product's intention to align with policy goals, such as the UN Sustainable Development Goals (SDGs), and if so, should these requirements be part of general disclosure requirements or feature-specific disclosure requirements?**

<QUESTION\_14>

UN SDGs alignment has to be mentioned and be part of general disclosure requirements.

Another suggestion would be to get specific disclosure in a first step and then a general disclosure in a second step.

<QUESTION\_14>

**Question 15: Should the disclosure requirements include an explanation of whether, and if so how, an investment product considers principal adverse impacts on sustainability factors and where to find**

**additional information, as required by Article 7 of Regulation EU 2019/2088 Sustainable Finance Disclosure Regulation?**

<QUESTION\_15>

Yes, disclosure requirements should include these different explanations

<QUESTION\_15>

### **Proposal for ESG-Related Features and Feature-Specific Disclosure Requirements**

**Question 16: Do you believe that “ESG Integration” is a clear and appropriate name for this feature? If not, please suggest an alternative and explain why it would be a better choice.**

<QUESTION\_16>

Yes, we believe that “ESG Integration” is a clear and appropriate name.

<QUESTION\_16>

**Question 17: If an investment product had Feature (A), and only Feature (A), as defined above, would it be consistent with the CFA institute policy paper “Positions on Environmental, Social, and Governance Integration”? In other words, would it be clear that material ESG-related factors are considered alongside traditional financial factors solely for the purpose of seeking to improve risk-adjusted returns? If not, please suggest how that could be made clearer.**

<QUESTION\_17>

Yes, it would be consistent. We would also like measurable ESG objectives as to us it is clear that material ESG related factors are considered alongside traditional financial factors.

<QUESTION\_17>

**Question 18: Is Feature (A) clearly defined? If not, please explain how the definition could be made clearer or more precise.**

<QUESTION\_18>

Yes

<QUESTION\_18>

**Question 19: Do you agree with the issues to be addressed by the disclosure requirements specific to Feature (A)? Are there issues that should be added, deleted, or modified?**

<QUESTION\_19>

Yes

The issues mentioned could be part of investment policies at the firm level.

<QUESTION\_19>

**Question 20: Do you believe that “ESG-related Exclusions” is a clear and appropriate name for this feature? If not, please suggest an alternative and explain why it would be a better choice.**

<QUESTION\_20>

Yes, it is clear & appropriate but the feature should include the notion of controversy and of engagement?

<QUESTION\_20>

**Question 21: Are “negative screening” and “norms-based screening” similar enough, particularly in the types of issues to be addressed by disclosure requirements, that they can both be covered by Feature (B) ESG-Related Exclusions? If you prefer that they be two separate features, please explain the key differences in function, benefits, and disclosure requirements.**

<QUESTION\_21>

We prefer to separate the feature for more clarity when comparing product/service involvement in controversial activities & sustainable product of a company.

Norms-based screening can refer to engagement practices, and not only to a “limitation or restriction” on investments. Perhaps it should be specified.

They are not similar as relative one is regarding the company’s behaviour (UN GC) and the other is relative to business’ activities (product or service).

<QUESTION\_21>

**Question 22: Is Feature (B) clearly defined? If not, please suggest how the definition could be made clearer or more precise.**

<QUESTION\_22>

Yes, but perhaps it should be specified that ESG-related exclusions can be put in place at the firm-level, and that they can apply to all products. We also would like that a definition is added on the different type of exclusion?

<QUESTION\_22>

**Question 23: Do you agree with the issues to be addressed by the disclosure requirements specific to Feature (B)? Are there issues that should be added, deleted, or modified?**

<QUESTION\_23>



We partially agree:

The second issue (If the ESG-related exclusion criteria can be changed, a description of the process for doing so) is not clear => if a criterion is changed, it means that the exclusion policy itself changes. Or do you mean if there can be exceptions to the application of an ESG-related exclusion criteria?

It would also be interesting to add the list of excluded companies, countries etc.

<QUESTION\_23>

**Question 24: Do you believe that “Best-in-Class” is a clear and appropriate name for this feature? If not, is “Positive ESG Performance Profile” a better name? If you dislike both of these names, please suggest an alternative and explain why it would be a better choice.**

<QUESTION\_24>

Yes, because is clear and appropriate versus “ESG Performance Profile.

The definition of best-in-universe should also be added.

Otherwise, a more generic term could be used: positive screening meaning any selection process that permits to include investments based on ESG scores

<QUESTION\_24>

**Question 25: Do you agree that Feature (C) is distinct enough, particularly in the types of issues to be addressed by disclosure requirements, that it should be separate from other features? If not, please suggest the feature with which it should be combined.**

<QUESTION\_25>

Yes, it is important to distinguish this approach.

<QUESTION\_25>

**Question 26: Is Feature (C) clearly defined? If not, please explain how the definition could be made clearer or more precise.**

<QUESTION\_26>

It should be written that some forms of feature C can overlap with feature E (although we agree that it is not the same approach) because this process can lead to the measure of impacts indicators, even if it is not as central as in feature E.

It should also be stated that the list is not exhaustive.

It would be interesting in the definition to add that the best in class makes it possible to select the best issuers that perform on ESG metrics within a sector so as not to deviate from the sectoral distribution of its benchmark.

<QUESTION\_26>

**Question 27: Do you agree with the issues to be addressed by the disclosure requirements specific to Feature (C)? Are there issues that should be added, deleted, or modified?**

<QUESTION\_27>

Again, these issues should be part of investment policies at the firm level and they should tackle the ESG risk using different metrics/methodologies.

<QUESTION\_27>

**Question 28: Do you believe that “ESG-related Thematic Focus” is a clear and appropriate name for this feature? If not, please suggest an alternative and explain why it would be a better choice.**

<QUESTION\_28>

Yes, we believe that this name is clear and appropriate

<QUESTION\_28>

**Question 29: Do you agree Feature (D) is distinct enough, particularly in the types of issues to be addressed by disclosure requirements, that it should be separate from other features? If not, please suggest the feature with which it should be combined.**

<QUESTION\_29>

Yes

<QUESTION\_29>

**Question 30: Is Feature (D) clearly defined? If not, please explain how the definition could be made clearer or more precise.**

<QUESTION\_30>

We partially agree.

We do not agree with the fact that “the companies’s overall performances is not necessarily taken into account. On the contrary, a minimum ESG performance should be taken into account to be an ESG-related product.

<QUESTION\_30>

**Question 31: Do you agree with the issues to be addressed by the disclosure requirements specific to Feature (D)? Are there issues that should be added, deleted, or modified?**

<QUESTION\_31>

We agree with the issues to be addressed by the disclosure requirements specific to Feature (D), even if the types of issues should be the same than the other features: Sources of data, methods used to monitor, benchmarks....

<QUESTION\_31>

**Question 32: Do you believe that “Impact Objective” is a clear and appropriate name for this feature? If not, please suggest an alternative and explain why it would be a better choice.**

<QUESTION\_32>

No, the term impact investing is clearer. It can be referred to an investment product feature.

<QUESTION\_32>

**Question 33: Is Feature (E) clearly defined? If not, please explain how the definition could be made clearer or more precise.**

<QUESTION\_33>

Yes

<QUESTION\_33>

**Question 34: Do you agree with the issues to be addressed by the disclosure requirements specific to Feature (E)? Are there issues that should be added, deleted, or modified?**

<QUESTION\_34>

The types of issues should be the same than the other features: Sources of data, benchmarks...

<QUESTION\_34>

**Question 35: Do you believe that “Proxy Voting, Engagement, and Stewardship” is a clear and appropriate name for this feature? If not, please suggest an alternative and explain why it would be a better choice.**

<QUESTION\_35>

Why Proxy voting and engagement are in the same feature as credit investors are not shareholders and don't vote but can have engagement initiatives?

<QUESTION\_35>

**Question 36: Do you agree that “Proxy Voting, Engagement, and Stewardship” should be a distinct feature? If not, would you prefer that the types of issues to be addressed by disclosure requirements be redistributed to other features or to general disclosures?**

<QUESTION\_36>

No, it should be addressed in general disclosures. This type of policies are mainly defined at the firm-level.

Proxy voting and stewardship can be together  
Engagement could be part of ESG integration.  
<QUESTION\_36>

**Question 37: Is Feature (F) clearly defined? If not, please explain how the definition could be made clearer or more precise.**

<QUESTION\_37>

No, the definition needs more details, because proxy voting for example is a way of engagement like dialogue with companies.

<QUESTION\_37>

**Question 38: Do you agree with the issues to be addressed by the disclosure requirements specific to Feature (F)? Are there issues that should be added, deleted, or modified?**

<QUESTION\_38>

Yes

<QUESTION\_38>

**Question 39: Do the six features described fully cover the spectrum of ESG-related features currently offered in the marketplace?**

<QUESTION\_39>

No, “Best in Universe” is missing. The “Best in Universe” favors the best rated issuers from an extra-financial point of view regardless of their sector of activity. So, the big difference between “Best in Universe” and “Best in Class” is a sectoral bias (some sectors can therefore become not investable due to their highly polluting activities for example).

The bondholders’ actions are also missing.

<QUESTION\_39>

### **Proposal for Classification of ESG-Related Features According to ESG-Related Needs**

**Question 40: Does this list of ESG-related needs represent the spectrum of investors’ ESG-related needs?**

<QUESTION\_40>

No, some are missing: protection of investors’s reputations (be sure that they are not invested in controversial companies or activities).

And to limit long term risks => different than ESG integration because the materiality of some long term risks can be difficult to assess and therefore difficult to be taken into account in an ESG integration process.

<QUESTION\_40>

**Question 41: Are these five ESG-related needs clearly differentiated and mutually exclusive?**

<QUESTION\_41>

They are not, and they should not be as they are not exclusive and there are interaction. An investor can have several motivations and products with ESG-related features can respond to different ESG-related needs.

<QUESTION\_41>

**Question 42: Do you agree with the classification of ESG-related features according to ESG-related needs, as shown in Table 3? If not, how might it be improved?**

<QUESTION\_42>

Line (2) should include feature (F)  
Line (3) should include feature (D)  
Line (4) should include feature (A) and (E).  
Line (5) should include feature (A) and (D).

<QUESTION\_42>

### **Users and Benefits**

**Question 43: Do you agree with the description of user benefits? Are there any benefits that should be added or deleted?**

<QUESTION\_43>

Missing are asset owners, Insurance, Stakeholders (NGOs, academics, scientists), Labels owners.

<QUESTION\_43>

**Question 44: Do you agree with the terms used to define the users of the Standard? Are there any terms we should include, or avoid using?**

<QUESTION\_44>

Yes

<QUESTION\_44>

**General Comments: Please enter general comments below.**

<GENERAL\_COMMENTS>

**The Association Française de la Gestion financière** (AFG) represents and promotes the interests of third-party portfolio management professionals in France. It brings together all asset management players from the discretionary and collective portfolio management segments. These companies manage at end 2019 more than €4,000 billions in assets, i.e. a quarter of continental Europe's assets under management.

The AFG's remit:

- Representing the business, financial and corporate interests of members, the entities that they manage (collective investment schemes) and their customers. As a talking partner of the public authorities of France and the European Union, the AFG makes an active contribution to new regulations,
- Informing and supporting its members; the AFG provides members with support on legal, tax, accounting and technical matters,
- Leading debate and discussion within the industry on rules of conduct, the protection and economic role of investment, corporate governance, investor representation, performance measurement, changes in management techniques, research, training, etc.
- Promoting the French asset management industry to investors, issuers, politicians and the media in France and abroad. The AFG represents the French industry – a world leader – in European and international bodies. AFG is of course an active member of the European Fund and Asset Management Association (EFAMA), of PensionsEurope and of the International Investment Funds Association (IIFA).

**In Europe, a similar exercise is already taking place and is currently at an advanced stage. The European exercise is led by Public Authorities. Thus, a regulatory regime on sustainable finance is already almost in place and ESG standards' setting is fully part of it (SFDR, Taxonomy, NFRD...). Even if ESG rules are still moving in Europe, we think that CFA's involvement comes at a too early stage of the process because such standard is currently being designed at least at the EU level with European Public Authorities.**

<GENERAL\_COMMENTS>