

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>	CFA Society South Africa
Stakeholder Group: <i>(Please select the stakeholder group with which you most closely identify.)</i>	Investment Professional
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>	Middle East & Africa
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>	South Africa
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>

- Yes but refer to the comments below:
- They provisions run the risk of becoming unwieldy , especially if you add in 3rd party audit
- There may be a need to specify how some of the disclosures pertain to specific asset classes for example:
 - o What would be regarded as the inception date for a private equity fund?
 - o The date the fund was established or when it achieved first close?
- Some of the disclosures refers to aspects of Impact. Where there are specific standards that are also required to be certified e.g. UNDP Impact Standards for Private Equity, would fund managers be required to do both certifications, meaning one for ESG and the other that focuses on impact? If this is the case, it may increase the costs and resource requirements at the fund manager and be onerous.
- Priority of disclosure first to focus on investment strategy with product level disclosure to follow at a later stage.

<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>

- As PRI signatories, the draft provisions are supportive and complementary in terms of reporting on similar information. Further the CFA disclosure recommendations is complimentary to the local initiative that promotes similar principles as found in the Code for Responsible Investment in South Africa (CRISA).
- Compliance: Noting that the provisions are voluntary and supportive and aligned to global industry standards.
- Notwithstanding the comments above, presenting a CFA compliant presentation will place extra burden of reporting and contribute to the resource constraints in terms of having to report to various stakeholders in different formats on similar information.
- Therefore, a potential solution is to combine or use existing reporting (e.g. PRI) as a reporting tool instead of having to replicate reporting.
- In terms of private equity, we are not aware of any regulations that these provisions would contravene from a private equity perspective in the Southern African region.
- While complementary, there is clear risk of duplication -- for example if you were looking to register a UCITS fund in EU as an Article 9 fund -- the process of doing so require production of much of this information -- being able to do it once would be ideal (i.e either have SDFR reference the CFA standards or visa versa)

<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>

- The voluntary nature of the standards, together with having choice in which product to provide disclosure, voluntary verification, and applicability across different asset classes and jurisdictions; all enhance the adoptability of the standards by many South African organizations.
- It seems feasible and practical, however, worth considering is the cost to obtain specialist advice in developing countries often come at a premium due to a shortage of specialist skills. Consideration should therefore be taken to how certification will be executed to ensure it doesn't become cost prohibitive for smaller to medium-sized funds domiciled in developing markets to undergo certification.
- If it's based on a voluntary, disclosure-based approach then the standards become feasible which is more conducive to deal with different local/regional ESG nuances, especially for emerging markets where there is still a significant difference between the level of ESG adoption and disclosure.
- This will afford the market time to become familiar with the disclosure requirements.
- It is expected this will be time consuming initially but once set up it should be fine to update this annually.

<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>

- The number and complexity of RFPs and DDQs around ESG disclosures has increased significantly in the South African market which has translated to significant demand of time and effort drafting responses by asset managers, especially in light of the non-standard, sometimes unnecessarily elaborate, nature of the requests and questions.
- Accordingly, if one anticipated that asset owners and consultants will adopt the standards into their manager selection, evaluation and appointment processes, there will be a tremendous amount of time and effort saved; and more reliable assessment of the ESG related disclosures – should these be standards be adopted in place of other similar questionnaires. However, this adoption could be some time out.
- A compliant presentation may offer a level of harmonization and the ability to compare products, however, it would depend on who the investor is. For less advanced ESG investors the disclosures in a compliant presentation may be adequate, however, more sophisticated investors such as Development Finance Institutions may still require additional information as part of their DDQ and other reporting requirements.
- Given the lack of convergence as things currently stand, the main risk is that the compliant presentation would not fully replace what is currently being requested by consultants and asset owners etc. Since all consultants and asset owners ESG reporting requests vary to a large degree, therefore this would not address their requirement or replace what is currently being provided. Instead, it adds another layer of reporting as a burden to the manager.

- It will help however at this stage several ESG type due diligences are undertaken at both the asset manager and the product level -- so the standards will help with the Product level disclosure but not the business / entity level.

<QUESTION_01_04>

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

<QUESTION_01_05>

Yes, a recommended format or template would be useful, but this should be a recommendation and provide guidance and not necessarily a compulsory requirement given concerns raised in aforementioned responses regarding duplication and a burden of reporting.

<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>

The standard will assist in gaining an understanding of “how” the investment product uses ESG information rather than “why”. The quality of Sources and Types information (Provision 5A) used in the investment process and or Stewardship activities becomes very important in this regard. From the asset owner perspective, the most important benefit from the standards will be the ability to compare different products with ESG related features through improved disclosure (Fundamental requirements and Disclosure Requirements)

<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>

The information required by the Standard Information typically included: Name of the product, Fund Inception date, Investment Product Objectives and Investment Compositions, Constraints and Performance. We see an opportunity for asset owners/investors to require asset managers to disclose whether an investment product complies with the CFA Institute’s ESG Disclosure Standard during RFP/DD processes.

<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>

It would improve the existing processes, including due diligence and reporting. To improve reporting and certification, there is a need to distinguish between ‘Inception Date’ and ‘Initial Compliance date’ with the ESG Standard as the Standard will come into effect long after many of the investment product’s ‘inception date’.

<QUESTION_02_03>

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

<QUESTION_02_04>

Yes, if implemented well, it will make comparing investment products much easier and save time spent understanding different reporting formats. It is to be expected that the quality of reporting of ESG information will improve over time as asset managers improve their understanding and knowledge of the standard. Ideally this format/template should merge with

what is already required where there are overlaps and the format/template should assimilate in this regard. <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>

Yes. It helps the understanding and insight into the use of ESG data in terms of what data is used. It is not as clear that it might or might not determine how a product ultimately addresses ESG issues but rather the disclosure around issues.

<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>

Yes. It would allow for more detailed discussions; better alignment with preferences especially with regards to things like screening and exclusions.

<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>

There appears to be a high overlap and sets a good basis.

Additional information we would want to see: (1) Some clarity can be provided on how passive investment products build a compliant presentation (what is the manager's disclosure requirements vs the underlying index) and how it would be verified. There is ambiguity on where the passive managers' obligations starts or ends (2) We believe the lack of minimum standards may lead to Greenwashing. (3) Concerns around one ESG compliant presentation covering multiple products - where any products have differing characteristics this must be disclosed or have its own compliant presentation. Further question: should a compliant presentation adhere to both ESG and GIPS std, would the same composite definition apply?

<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>

It would complement the process and allow more focus on key areas given that the preliminaries would be disclosed upfront. This could streamline the process to the extent it became widely adopted.

<QUESTION_03_04>

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

<QUESTION_03_05>

As long as a manager covers all of the necessary areas a template is not an absolute a necessity, especially if it creates unnecessary burden, but it would obviously help for comparative purposes.

<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>

<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>

Yes. Standardization always facilitates adoption and compatibility as well as comparability. A machine-readable template also would be helpful.

<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>

- Yes, they are helpful but very onerous in terms of the recommended reporting guidelines. A recommendation which was presented as part of the initial draft, was to consider combining or using existing reporting (e.g. PRI) as a reporting tool instead of having to replicate reporting.
- The standards are helpful in establishing and clarifying the types of information. The role of the ESG Technical Committee role (including review and update of the standard) will become very important post effective date, to ensure that the information disclosed remains relevant to the users of the information.

<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>

- The list is comprehensive and covers global best practice. However, there is a huge overlap with other reporting requirements e.g. PRI reporting requirements and seems that not sufficient consideration of the large overlapping areas was sufficiently taken into account.
- To improve transparency and credibility of information:
 - Disclosure of names of third-party data providers should be a Requirement and not a Recommendation (Provision 5.A.1 Sources and Types of ESG Information).
 - Disclosure of instructions for how an investor can obtain reports describing the progress towards the achievement of the impact objective over a period of time should be a Requirement and not Recommendation (Provision 9.B.1 Process to Achieve Impact Objective).
 - Disclosure of instructions for how an investor can obtain reports describing stewardship activities that have been undertaken for the investment product over a period of time should be a Requirement and not a Recommendation (Provision 10.B.1 Stewardship).

<QUESTION_05_02>

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

<QUESTION_05_03>

For investment professionals/organization who are committed to ethics and integrity, they are likely to 'claim' that adopting the standard signals a 'strong' commitment to professional ethics and integrity. For the investment industry, the standard will provide transparency and improve the quality of ESG related information reported for the investment product.

<QUESTION_05_03>

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

<QUESTION_05_04>

- Yes. The Standards are supportive of promoting product transparency through appropriate disclosures but should be noted, that this should not limit investment managers' right to their proprietary and competitive information for the sake of disclosure to all, instead only to clients.
- Yes. The Standards will improve transparency and quality of information reported. Furthermore, compliant presentations that are independently examined will be helpful in providing investor confidence (It is noted that the publication of exposure draft dealing with procedures for independent examination is expected in July 2021).

<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>

Yes. The Standards will make comparison between products much easier and place investors in a better position to select products that align with their ESG related objectives.

<QUESTION_05_05>

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

<QUESTION_05_06>

The Standards may serve as mechanism to develop product labelling - this will be dependent on how well received and adopted by the investment industry. .<QUESTION_05_06>

GENERAL PRINCIPLES FOR INVESTMENT PRODUCT DISCLOSURES

General comments on the Principles:

<COMMENT_00_00>

The general principles appear standardized and well thought out.

<COMMENT_00_00>

Comments on Principle #1:

<COMMENT_00_01>

ENTER RESPONSE HERE

<COMMENT_00_01>

Comments on Principle #2:

<COMMENT_00_02>
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<COMMENT_00_02>

Comments on Principle #3:

<COMMENT_00_03>
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<COMMENT_00_03>

Comments on Principle #4:

<COMMENT_00_04>
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Comments on Principle #5:

<COMMENT_00_05>
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<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>
ENTER RESPONSE HERE
<COMMENT_01A01>

Comments on Provision 1.A.2:

<COMMENT_01A02>

- The Standards should apply to strictly to all investment products which claim to have ESG related features. If it does not apply to all products with ESG-related features, asset managers will select those that they are comfortable with, which may promote 'greenwashing'.
- There are also concerns that not having disclosure on all products an asset manager has (including those “non-compliant” or with specifically negative ESG properties, such as non-renewable energy) creates the potential for confusion as to whether a certain product may have undisclosed ESG related features or not if the asset manager chooses not to subject it to disclosure. This can create some confusion - why would they apply it to certain products and not others - this would need to be disclosed / clarified.
- In time, ESG disclosures should be made on all products, including those “not compliant” or with specifically negative ESG properties.

<COMMENT_01A02>

Comments on Provision 1.A.3:

<COMMENT_01A03>

- Refer to the comment on 01A02 above, regarding the issue of not disclosing all products an investment manager has. Only selecting certain products that the manager is comfortable to report on may promote ‘greenwashing’.
- A suggestion would be to prepare a compliant presentation for each investment product to which it has chosen to apply the Standards, in addition to a summary-type presentation for the rest of the investment products (on which the Standards are not being applied) with disclosures that are not as detailed. This would provide at least some level of disclosure for the rest of the products and reduce the outcome of possible “greenwashing”.

<COMMENT_01A03>

Comments on Provision 1.A.4:

<COMMENT_01A04>

While encouragement to present all relevant information that will help an investor understand the information presented is helpful, there should be a limit provided as to how much additional, potentially superfluous information should be provided. Some managers may elaborate extensively while others may not. This may hinder the ability for investors to make comparisons between products.

<COMMENT_01A04>

Comments on Provision 1.A.5:

<COMMENT_01A05>

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<COMMENT_01A05>

Comments on Provision 1.A.6:

<COMMENT_01A06>

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<COMMENT_01A06>

Comments on Provision 1.A.7:

<COMMENT_01A07>

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<COMMENT_01A07>

Comments on Provision 1.A.8:

<COMMENT_01A08>

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<COMMENT_01A08>

Comments on Provision 1.A.9:

<COMMENT_01A09>

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<COMMENT_01A09>

Comments on Provision 1.A.10:

<COMMENT_01A10>

- The Standard must provide guidelines for dealing with product disclosure and propose frequency of changes - e.g. once a year etc. - to discourage too many changes being made. If disclosure requirements are changed frequently, the information might not be consistent and comparable between periods.

- The notes state that as soon as a change becomes effective, the compliant presentation for that investment product must reflect the change – however clarity is required on whether the change itself be disclosed?
 - Later in 2.A.7 material changes are disclosed, but this does not include changes to Standard requirements or interpretative guidance. I think the latter 2 changes should also be disclosed.
- <COMMENT_01A10>

Comments on Provision 1.A.11:

<COMMENT_01A11>

The notes list the documents and records that investment managers should consider maintaining include dates that compliant presentations were posted to a website. However, in our technology evolving world – the strict reference to “website” should be replaced by “digital platforms”.

<COMMENT_01A11>

Comments on Provision 1.A.12:

<COMMENT_01A12>

Webpage should be replaced by digital platform.

<COMMENT_01A12>

Comments on Provision 1.A.13:

<COMMENT_01A13>

ENTER RESPONSE HERE

<COMMENT_01A13>

Comments on Provision 1.A.14:

<COMMENT_01A14>

- The notes mentions a possible instance where the verifier provides other services related to ESG investing to the investment manager. This seems to soften the stance. The manager should not appoint a verifier where the verifier has/ had a role in the design of the product. Where a different conflict of interest exists, if appointed, disclose all other activities performed by the verifier to the manager in the preceding 24 months of such verification allowing the assessment of independence to be made by the investor and/or its advisors.

e.g. “Verification Consultants ABC provides the following services:”

- Much of the credibility of this Standard lies with the independent examination process. Principles surrounding this should be clear and set up in such a manner to avoid the situation that we saw with ratings agencies in the GFC. Principles around independence etc. are critical. Sequencing should also be considered i.e. can a product launch and then later seek independent examination, or is the examination done before the launch and hence a “pre-launch examination report” produced as part of the product launch documents?

- In addition , if the investment manager chooses to have a compliant presentation examined by an independent third party, the last date of the independent examination should be disclosed.

<COMMENT_01A14>

Comments on Provision 1.A.15:

<COMMENT_01A15>
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<COMMENT_01A15>

Comments on Provision 1.A.16:

<COMMENT_01A16>
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<COMMENT_01A16>

Comments on Provision 1.A.17:

<COMMENT_01A17>
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Comments on Provision 1.A.18:

<COMMENT_01A18>
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<COMMENT_01A18>

Comments on Provision 1.A.19:

<COMMENT_01A19>
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<COMMENT_01A19>

Comments on Provision 1.B.1:

<COMMENT_01B01>
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<COMMENT_01B01>

Comments on Provision 1.B.2:

<COMMENT_01B02>

- Independent examination will give a level of comfort and quality assurance. However, this will be another barrier to entry and onerous burden especially for smaller managers since there will likely be a fee for this independent examination. Independent examinations should

also be offered by a wide range of qualified independent examiners or have different pricing options for asset managers depending on their size/country/etc.

- It is also important that there is clarity on what would be examined i.e. is it the process or the data as this would affect complexities and costs. There should also be clarity on the frequency of examination.

- Introducing third party compliance around these kinds of disclosures bring an additional layer of expense to this process which will undoubtedly hamper smaller asset managers -- you also end up developing a subset industry of auditors who themselves have to be policed. For developing markets this becomes unnecessary required burden and if any area of third party verification or compliance was could to be required (as opposed to recommended) this energy is better allocated to "impact objectives".

<COMMENT_01B02>

SECTION 2: GENERAL INFORMATION

General comments on Section 2:

<COMMENT_02A00>

- Since the Standards do not establish a “minimum threshold” for labeling an investment product as an ESG, responsible, sustainable, or impact investment product, then the manager of the investment product should voluntarily set both a minimum and target level for its ESG features.

This will prevent a state of 0% exposure, whilst still meeting the Standard.

<COMMENT_02A00>

Comments on Provision 2.A.1:

<COMMENT_02A01>

- In addition to including the name of the investment product in the compliant presentation, it should also state whether the fund is actively or passively managed, or which elements will be passively managed.
- The notes state that an investment manager is permitted to create a single compliant presentation that covers multiple investment products. This is concerning. If this is the case all investment products must be subject to the same policies, procedures etc.

If any investment product has any differing criteria, such investment product must have its own compliant presentation. This will remove any risk of error or omission from an advice perspective.

Further, if a company applies both the ESG and GIPS CFA standards, would the groupings of investment products in the compliant presentation also constitute the GIPS cohorts?

<COMMENT_02A01>

Comments on Provision 2.A.2:

<COMMENT_02A02>

ENTER RESPONSE HERE

<COMMENT_02A02>

Comments on Provision 2.A.3:

<COMMENT_02A03>

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<COMMENT_02A03>

Comments on Provision 2.A.4:

<COMMENT_02A04>

ENTER RESPONSE HERE

<COMMENT_02A04>

Comments on Provision 2.A.5:

<COMMENT_02A05>
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<COMMENT_02A05>

Comments on Provision 2.A.6:

<COMMENT_02A06>
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<COMMENT_02A06>

Comments on Provision 2.A.7:

<COMMENT_02A07>

The notes state that when determining materiality, an investment manager may want to consider the extent to which the change influences the objectives of the investment product or the likelihood of achieving them. However, any decreasing change to the impact objective should be considered material. As well as any change in benchmark.

It should be specified how long after material changes are made to the ESG-related features of the investment product should investors be notified. For example, a requirement to notify investors within 1 month of the changes being implemented into the philosophy or process of the product. This will enhance the comparability factor of the investment products.

<COMMENT_02A07>

Comments on Provision 2.A.8:

<COMMENT_02A08>

- The notes state that an investment manager may choose to state in the compliant presentation that, prior to a certain date, it does not have the records necessary to disclose material changes and the effective date of those material changes. However, this should only be relevant for existing products that seek the disclosure standard. New products should not.
- A best efforts approach to disclose material changes to ESG-related features of an investment product since the investment product's inception date might encourage managers to exaggerate previous efforts to incorporate ESG-related features. To have a level playing field, perhaps it just should not be a requirement to disclose any past material changes and only state the changes going forward (

<COMMENT_02A08>

Comments on Provision 2.B.1:

<COMMENT_02B01>
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<COMMENT_02B01>

SECTION 3: OBJECTIVES

General comments on Section 3:

<COMMENT_03A00>

There has been a noticeable lack of mention of the Sustainable Development Goals (SDGs). It should be included in general disclosure if the product aligns with SDG's or other policy goals. there is a need to be explicit around where the SDG's and local policy goals fit in, to have rules around ongoing monitoring, and to expand the features to reference all asset classes. This was raised in our response to the Consultation Paper. <COMMENT_03A00>

Comments on Provision 3.A.1:

<COMMENT_03A01>

- If an objective is an impact objective, an impact materiality screen is recommended for inclusion.
- It is recommended that what should also be included is how the objective(s) was (were) arrived at, not only what the objectives are.
- We agree that the impact objectives must be stated prospectively in compliant presentations, but declining changes should be deemed material.
- Clarity is required regarding whether there a reporting requirement aligned to the impact objective? It is green-washing if the objective is arbitrarily stated, even if the initial intent existed.
- The provision requires a statement of the impact objective that is specific with respect to the desired outcome (“what”), the stakeholders who will benefit from the desired outcome (“who”), and the target date, if any, by which the desired outcome is to be achieved (“when”). In addition to this, a measurement and monitoring process of the objective needs to be defined.
- It would be useful here if it referenced that for listed equity investments the impact should be relative to a benchmark

<COMMENT_03A01>

Comments on Provision 3.A.2:

<COMMENT_03A02>

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<COMMENT_03A02>

Comments on Provision 3.B.1:

<COMMENT_03B01>

In addition to including a description of the policy objective or development goal, it should also update (at least annually) the compliant presentation to demonstrate progress to the impact objective, from date of setting objective.

<COMMENT_03B01>

SECTION 4: BENCHMARKS

General comments on Section 4:

<COMMENT_04A00>

Disclosure requirements should focus on information sharing that will allow investors to match their needs and objectives to the intention of the fund. To do so, disclosure would need to be focused on specific thematic outcomes, rather than financial outcomes relative to broad-based benchmarks that are largely irrelevant in this context. It should serve investors intending to generate social alpha and not only financial returns

<COMMENT_04A00>

Comments on Provision 4.A.1:

<COMMENT_04A01>

ENTER RESPONSE HERE

<COMMENT_04A01>

Comments on Provision 4.A.2:

<COMMENT_04A02>

If the product is passively tracking such benchmark, all material disclosures relevant to the ESG disclosures would need to be disclosed in the other parts of the compliant presentation.

An important observation in this regard is that disclosures on the investment product for investment manager would be controlled by the index provider. For the investment product to comply, index providers would need to comply. <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>

- The compliant presentation must describe the extent of use of qualitative and quantitative data sources within the analysis and the mechanisms employed to transform these data sources into comparable and useful information for the purposes of integration. In addition, a description of the mechanism for transforming ESG data from an articulation of impact/structure to a format that is relevant to the risk-return question over an asset manager or asset owner's relevant time horizon.

<COMMENT_05A00>

Comments on Provision 5.A.1:

<COMMENT_05A01>

This section could potentially be a multiple choice section (with a section for 'other' if there are any missing options). This will enhance the comparability factor among products.

<COMMENT_05A01>

Comments on Provision 5.A.2:

<COMMENT_05A02>

- The notes state that a compliant presentation must include a description of the investment manager's efforts to evaluate the reliability of the ESG information used. The guidance is however unclear on how a passive index tracker would do this.
- While the intention here is understood, the concern is that the requirement to test the reliability of ESG information may become problematic -- if for example a manager relies on the audited carbon data of company X and it later turns out to be unreliable, whose fault is it?

• <COMMENT_05A02>

SECTION 6: ESG EXCLUSIONS

General comments on Section 6:

<COMMENT_06A00>

All information herein should be applicable to passive strategies.

A concern here is who carries the burden of responsibility for compliance and disclosure in a passive fund.

<COMMENT_06A00>

Comments on Provision 6.A.1:

<COMMENT_06A01>

- The notes state that, where applicable, the description of the ESG exclusion criteria must reference third-party standards, guidelines, or frameworks used in establishing or implementing the criteria. However, in addition to this, the timing of the process to calculate, maintain and review the metrics underlying the exclusion criteria must be disclosed. e.g. quarterly, annually, on a corporate event?
- Particular attention must be paid to explaining the use of the “best-in-class” strategies. To those not familiar, it may be misleading that the particular product is better than other products. It is important to make it clear that the title refers to best-in-class for the selected investments and does not indicate the fund/product is Best-in-Class.

When the manager is disclosing on this feature, they should include a definition of what they consider "best" to be, as well as "class" (asset class/ sector/ region?) so that you can see what the product is trying to do.

A suggestion would be to align the disclosure and reporting requirement as per the PRI definition of “positive/best-in-class screening,” the GSIA definition of “positive/best-in-class screening,” to ensure that there’s consistency.

<COMMENT_06A01>

Comments on Provision 6.A.2:

<COMMENT_06A02>

It is recommended that in addition to stating the rationale for an ESG exclusion in a compliant presentation, the compliant presentation must include what would cause the lifting of the exclusion. This provides insight into future changes to the better.

We recommend that norms-based and negative screening is clearly defined and distinction is made – especially in relation to alternative asset classes such as private equity.

Regarding norms-based screening: Norms-based screening identifies material ESG gaps against a standard such as the IFC performance standards i.e. gaps in a company’s occupational health and safety programmes. Gaps against the standard would not necessarily lead to the investment being excluded, rather it would be flagged and incorporated into the overall investment

proposal/valuation, which actions to put in place to address any outstanding risk / opportunities post investment.

In addition, greater clarity can be achieved by stating explicitly that exclusions are entirely principle based and thus invariant to issues related to investability.

<COMMENT_06A02>

Comments on Provision 6.A.3:

<COMMENT_06A03>

The notes state that if the ESG exclusion criteria are not applied to all investments at all times, the compliant presentation must describe the circumstances in which the ESG exclusion criteria are not applied.

- Can an ESG criteria be applied differently on the different asset classes. For example it could exclude ABC equity but not the debt?
- If the exclusion criteria is not applied at all times, shouldn't this section also include:
 1. Length of time such exception should last
 2. Max total exposure to such exceptions at a security or fund level.

Exceptions need active management and cannot be permanent states.

<COMMENT_06A03>

Comments on Provision 6.A.4:

<COMMENT_06A04>

For best-in-class, we recommend including whether it is performed on the benchmark to adapt it to be ESG view inclusive (with ESG used as a hurdle for tilting the composition or weights of the investible universe) or whether it enters concurrent and parallel to traditional investment analysis as a quality screen for inclusion/ weighting into the portfolio.

<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 section could potentially be a multiple choice answer. For the purposes of comparability among investment products, there could be a list of potential reasons for using ESG information alongside traditional financial information. This avoids answers that include 'marketing' type language and allows the investor or potential investor to get a quick grasp of the investment manager's rationale without overelaborated explanations.
<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>
The investment product's compliant presentation must also include a description of:

- The mechanisms for dealing with the difference between the reasonably foreseeable and the unforeseeable future.
- A "weighting/level of importance" applied by a manager on ESG integration versus traditional factors in creating a product

<COMMENT_07A04>

SECTION 8: PORTFOLIO-LEVEL ESG CRITERIA AND CHARACTERISTICS

General comments on Section 8:

<COMMENT_08A00>

Disclosure requirement should address an investment product's intention to align with policy goals.

It must be included in general disclosure if the product aligns with SDG's or other policy goals. If General Disclosure is intended to include a section on "The ESG-related or sustainable labels and standards with which the investment product claims compliance", then SDGs should be part of this <COMMENT_08A00>

Comments on Provision 8.A.1:

<COMMENT_08A01>

ENTER RESPONSE HERE

<COMMENT_08A01>

Comments on Provision 8.A.2:

<COMMENT_08A02>

ENTER RESPONSE HERE

<COMMENT_08A02>

Comments on Provision 8.B.1:

<COMMENT_08B01>

The investment product's compliant presentation should include instructions for how an investor can obtain the most recent report showing the portfolio-level esg characteristics - this relates to reporting issues earlier. This should not be a recommendation.

<COMMENT_08B01>

SECTION 9: PROCESS TO ACHIEVE IMPACT OBJECTIVE

General comments on Section 9:

<COMMENT_09A00>

- This section should include an articulation of at-the-margin trade-off between impact and return and how the resulting distributional consequences of the investment management process will be dealt with.
- We express concerns that this section as an Impact is an appropriated concept from the field of development studies where causal relationships are scientifically measured -- take for example the idea of a local equity fund that want to have an impact on gender diversity -- and uses good quality gender metrics to show Board and work force gender ratio's relative to say the local equity index - the impact reported would be the "delta" between fund and benchmark on the gender metrics – while one could support the idea that this can be reported as impact, however it does not necessarily mean that the fund is having a positive impact on Gender issues in our local economy.
- There are concerns therefore about what the Impact elements included here are truly measuring.

<COMMENT_09A00>

Comments on Provision 9.A.1:

<COMMENT_09A01>

If the investment product has an impact objective, the investment product's compliant presentation should include instructions for how an investor can obtain, if such exists, the most recent report describing the progress toward the achievement of the impact objective over a period of time. <COMMENT_09A01>

Comments on Provision 9.A.2:

<COMMENT_09A02>

ENTER RESPONSE HERE

<COMMENT_09A02>

Comments on Provision 9.A.3:

<COMMENT_09A03>

A feature should be included for how impact is directly measured, monitored and reported on. There needs to be an articulation of what constitutes success from an impact perspective and from a return profile perspective

<COMMENT_09A03>

Comments on Provision 9.A.4:

<COMMENT_09A04>

An articulation should be included of the potential negative societal and environmental externalities that may/have result(ed) from allocating capital into an environment with an impact

mandate, but with a particular requirement around return profile for investors and an imbalance of power between providers of capital and recipients.

<COMMENT_09A04>

Comments on Provision 9.A.5:

<COMMENT_09A05>

This is quite a vague requirement. Clarification is required in terms of whether one is required to state the risks of not achieving the impact objective or the added risks of including an impact objective into the investment strategy.

<COMMENT_09A05>

Comments on Provision 9.B.1:

<COMMENT_09B01>

Including instructions for how an investor can obtain the most recent report describing the progress toward the achievement of the impact objective over a period of time, should not be a recommendation.

<COMMENT_09B01>

SECTION 10: STEWARDSHIP

General comments on Section 10:

<COMMENT_10A00>

We wish to point out that Proxy Voting, Engagement and Stewardship are not aspects which are exclusive to ESG. These functions are inherent in owning a share and are not specifically unique to ESG. How do you differentiate between a fund which as part of its investment processes vote in the normal course of business and one that votes as an ESG investor? Each custodian/holder of a share has an obligation to vote, engage and maintain oversight over the behaviour of the company. If the above is regarded as ESG, by implication each holder of a share can therefore claim a right to being ESG compliant. ESG should be a process used to create a unique measurable outcome. The above is not an ESG process but a tool to achieve a specific ESG outcome.

Additionally, despite the disclosure requirements being appropriate, the requirements could be a bit more explicit in indicating that this would apply to all asset classes. For example, proxy voting is only for equities but overall stewardship and engagement is applicable across asset classes. Historically engagement has been associated with equity shareholders, but engagement is a powerful tool for investors on the bondholder side as well and under-utilised and under reported and disclosed. Also we note the emphasis is on ownership with less emphasis on other aspects such as engagement. This aspect could be expanded where the Financial Institution does not own part of the company.

<COMMENT_10A00>

Comments on Provision 10.A.1:

<COMMENT_10A01>

- The description must include “Whether the stewardship policies that are relevant to ESG issues are specific to the investment product or apply firm-wide.”
- This is important specifically if the ESG issue contradicts the firm-wide traditional view. Would the custodian of an ESG product vote contrary to its ESG positioning?
Also relevant for managers where passive/ quant is voted alongside active as a house.
- This description must additionally the approach towards dealing with differing time horizons over which different factors underlying an ESG matter such as exogenous risks and the mechanisms of societal pressure towards particular outcomes

.<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>
An investment product's compliant presentation should include instructions for how an investor can obtain, if such exists, the most recent report describing the stewardship activities that have been undertaken for the investment product over a period of time.
If the key ESG-related feature is stewardship then this is not a recommendation.
<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>
This should clearly state that stewardship and engagement (including bondholder engagement) refers to all asset classes including fixed income and this does not reflect in the definition.
<COMMENT_11A11>

Comments on **STEWARDSHIP ACTIVITY**:

<COMMENT_11A12>
ENTER RESPONSE HERE
<COMMENT_11A12>

GENERAL COMMENTS

General comments on Exposure Draft:

<COMMENT_12A00>

- The introduction positions the scope of the standards very clearly and key shortfalls have been acknowledged, considered, and explained away. For example, disclosures around periodic reporting such as portfolio-level ESG characteristics will be potentially addressed in future reviews. Additionally, the reconciliation across different disclosure frameworks provides a good understanding of the need and value for the standards
- While the Standard has explained why it is focused on product level to avoid duplication of the firm level disclosures as conducted via PRI submissions, there should be clear question about whether a user of the Standards are PRI signatories or not. If they are not some basic firm-level disclosures should be required, as this gives insight into the overall principles that a firm adopts and subscribes to. There is information exogenous to the product that will inform whether the firm will be successful at implementing that ESG approach or not. It is in the interest of better governance outcomes, and it allows for additional disclosures on process, analysis, etc. within the firm and also discloses the firm position on E, S, G. Making a positive impact and advancement towards attaining SDG goals through ESG-conscious investing requires commitment at a firm- wide level and not just at an individual product level. Without such completeness as a principle in ESG disclosure, a consequence may be insincere investment managers 'gaming' a specific product whilst not investing responsibly in other areas. PRI submissions are instrumental in this regard by enabling firm-wide assessment of ESG incorporation and allowing comparisons through an elaborate peer review/comparison process.

<COMMENT_12A00>