

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 Switzerland
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>	Europe
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>	Switzerland
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, we believe the draft provisions to be helpful, particularly in a global context. At the moment, it is difficult for an investment manager to fully satisfy all the requirements when multiple jurisdictions are involved (eg. The US investors in European Products, European Investors in US products, etc.). While in some regions asset managers are required to increase transparency in their processes and disclosures (eg. in the EU due to EU Taxonomy and SFDR), it is not the case everywhere. CFA Institute's Standards could become a universal and global solution for asset managers to opt in for ESG-related disclosures and as such this initiative is welcome.

At a later stage, it may be appropriate for CFA Institute to develop further guidance for asset managers by asset class, given that the reporting does not require the same engagement and effort depending on the type of investments (eg. public vs private asset classes).

<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>

A compliant presentation can be aligned both with CFA Institute's ESG Disclosure Standards and existing regulations and thus preparing this type of document will not hinder the ability to comply with local laws and regulation in their current state.

Speaking in particular about the EU SFDR requirements, we found the Mapping of SFDR Requirements to Exposure Draft Provisions to be very useful for understanding the connections between the draft provisions and the SFDR. From that comparison, it seems that currently the structure of the two sets of rules is rather different.

However, the situation is expected to evolve with new developments in regulations and disclosure frameworks globally and will require a close monitoring. Special care should be taken to avoid potential future conflicts of the CFA Institute's Standards with the EU SFDR requirements as well as other current or future local regulations.

<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 implementation of these standards will require some transition time and will depend of the number of investment strategies, products and mandates for various investors that an asset manager offers. Current priority is to comply with the new regulations, push the investment strategies to a more sustainable approach and maximize positive impact resulting from ESG compliance. Voluntary reporting will be the next priority.

What could drive the adoption of the draft's fundamental provisions by asset managers is the demand / pressure from investors.

<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 information contained in a compliant presentation could be used by investment managers as a part of the RFP documentation prepared for the business development and investor due diligence purposes. This usefulness could be an argument to convince investment managers to become compliant with the CFA Institute ESG Disclosure Standards and to provide a compliant presentation.

<QUESTION_01_04>

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

<QUESTION_01_05>

An example of a compliant presentation demonstrating the expected content and its key components would provide a good guidance and give investment managers enough flexibility to build their own sets of ESG reports.

However, one presentation-type might not be sufficient for all the types of investment products and asset classes. Thus, providing several templates tailored to different asset classes and including relevant metrics would be desirable.

In addition, going forward CFA Institute could collect "best practice" compliant presentations in order to improve initial compliant presentation templates.

<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>

We believe that a compliant presentation will be helpful for asset owners and investors by offering more structure and allowing a better understanding of how ESG considerations are integrated in the investment process and the related information is used by the asset managers. The expected result is higher clarity and enhanced comparability among the investment products.

We appreciate a greater focus on the investment process and objectives (as opposed to focusing on the outcomes in terms of portfolio metrics and ratios) and its complementarity with the EU Sustainability regulation.

Adherence to the standards would allow the asset managers to better demonstrate their commitment to sustainability provided that the CFA Institute ESG Disclosure Standards are taken seriously and interpreted as a minimum requirement (while providing additional information if deemed material, appropriate or informative for audiences). While some skepticism regarding potential greenwashing might never disappear, asset owners, at least, would have a basis that sets expectations and helps to disprove the greenwashing hypothesis, and allows to hold providers accountable.

<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>

A compliant presentation in its current form encompasses a fair amount of ESG-related information which is typically requested via RFPs/DDQs. However, providing some additional elements would be beneficial for the investors/asset owners:

- Despite its intentional product-level focus, we believe that the potential interactions with the entity level should also be covered. It is in the best interest of asset owners to understand the governance structure that underlies product management and investment processes, in particular with respect to evaluating (unavoidable) trade-offs and decision-making. While not explicitly required by the Standards, investment product providers should be encouraged to disclose their vision, mission and values that build the basis for their company-wide activities and products, including firm-wide compliance with standards and regulations, including products outside of the narrower scope of the Standards. Asset owners should be able to follow the process of how ESG is integrated into the product step by step, and understand the key assumptions and trade-offs in the process.
- Investment product providers should list and explain the characteristics of ESG products compared to a standard market index (i.e. investment universe, sector allocation, risk/return, expected and historical Tracking Error over the longest time horizon available). Quantitative

ESG strategies should discuss overfitting bias, amongst other potential biases. The demonstration of the impact of the ESG constraints/exclusion/impact objectives on the investment universe as compared to a “standard” for the asset class benchmark which should facilitate the analysis of the potential biases of the strategy;

- In addition to the name of the investment manager, qualifications and credentials of the manager’s team in terms of Sustainability/ESG capabilities should be disclosed.
- More clarity on the ESG data coverage of the respective investment universe and how the absence of or contradicting ESG information/rating/research is dealt with would be helpful.
- Although omitted intentionally at this stage, we find that minimal disclosure requirements for the periodic reporting would also be beneficial. An investor would certainly like to see the periodic reporting options that are provided to measure the ESG aspects of investment portfolios/products. At this point of time, it has to be accepted that the reporting metrics between different managers vary and that they cannot be compared without further efforts.

<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>

The standards would complement and sometimes facilitate existing due diligence processes:

- Speed-up the initial screening/analysis by increasing the breadth of easily available ESG-related information and uniformizing it. It would increase product comparability achieved with less additional efforts for collecting/interpreting disperse and heterogeneous information and limit the time necessary for reaching a first conclusion about the suitability of the strategy before more detailed information for a deeper due-diligence is requested;
- Compliant presentations can also be used in the regular investment review processes in order to compare products with regards to their ESG characteristics. For these purposes, an additional Management Summary using a more “graphic” language/format instead of running text would be very helpful. A potential downside of such a management summary certainly is the consolidation of the complex information.

While the Standards are expected to allow a certain level of comparison, given the wide range of possible interpretation of the standards and widely differing investment processes (including supporting data, methodologies, etc.), an “apples-to-apples” comparison might still be difficult and will not remove additional effort required to deeply analyze and discuss products one by one.

<QUESTION_02_03>

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

<QUESTION_02_04>

We believe that well-tailored (by sub-asset class) compliant presentation templates will be helpful in highlighting the best practices in terms of reporting and establishing minimum requirement in terms of the information relevant for the investors. CFA Institute has the necessary outreach to be able to assess investors’ requirements and provide a guidance on best practices to investment managers.

In addition, a uniform and compliant presentation of the ESG-related information would allow asset owners and investors to compare different products in a more efficient manner – even when the investment products might not share the same ESG features.

A potential danger is that the template would represent a least common ground for all product providers, and discourage giving customized disclosure that represents the individual nature of an investment product or strategy. To counter this eventuality, the Standards could set expectations with an ambitious template to signal the high expectations of asset owners. If more than one third of today's "ESG"-products can already meet the Standards' requirement at its initiation, the Standard might hardly be credible, given current worries about greenwashing.

<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, we believe that the Standards provide a meaningful basis so that investors get a better understanding of the ESG information and processes of an investment product.

<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, the advantage of the CFA ESG Disclosure Standards is that they provide a comparable set of vocabulary and disclosure rules. However, clients need to be educated about this standardized vocabulary.

<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>

In our opinion, from an ESG-strategy perspective the most relevant points are covered. Some additional points that more likely fit in the category “periodic reporting” and may be important for the selection of an investment product are listed below:

- ESG-characteristics of the benchmark: Does the benchmark consider ESG criteria? If yes, which criteria?
- Exclusions: How many firms are excluded from the universe and what is their market cap as a percentage of total benchmark market cap. The impact of an ESG negative screening on the investable universe should be disclosed.
- Data providers: What is the percentage of benchmark market cap that is covered by ESG data (ESG Scores, carbon gas emission figures, etc.), if applicable.
- It may be helpful to know whether the manager has a separate sustainability research department and how many portfolio managers and analysts focus solely on sustainability.
- A compliant presentation should also mention to what percentage of the portfolio the impact objectives do not apply.

In addition, some recommended elements in the CFA ESG Disclosure Standards should rather be categorized as required, e.g. provision 2.B.1.

<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>

Yes. We also think that it would be helpful if this information were freely accessible online, since many managers only provide such detailed information on request.

<QUESTION_03_04>

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

<QUESTION_03_05>

Examples of compliant presentations for different asset classes and investment strategies would be useful to increase comparability between different products.

<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>

Yes. The Standards give a broad overview on what type of information should be included in describing investment products and their features. Both the general principles and the fundamentals for compliance are, however, generally equally applicable to all types of investment products, not just for investment products claiming to include ESG-related aspects.

The Standards themselves offer little guidance in terms of level of detail to be provided, except for two sample presentations. Their value could be increased by adding references to the Standards' specific provisions.

<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>

While it is well understood that the Standards only require product-level and no entity-level information, it seems nevertheless important to a user to understand whether the asset manager / provider offers other products which do not include ESG-related aspects in order to be able to gauge how serious the provider is taking sustainability within its organization and investment process.

Many of the principles in the general section seem obvious. The profile of the standards may improve by leaving out too many general requirements which are not ESG-specific.

<QUESTION_05_02>

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

<QUESTION_05_03>

Yes, in the same way as any standards on disclosure and investor protection.

<QUESTION_05_03>

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

<QUESTION_05_04>

Yes. It seems, though, that more information on the level of detail required to be compliant would help. Judging from the two sample presentations it seems not to be very difficult to prepare a presentation which remains limited to generalities, such as to be found in a marketing brochure.

<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>

This seems difficult to achieve without incorporating the missing part dedicated to the ESG taxonomy which was part of the Consultation Paper.

<QUESTION_05_05>

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

<QUESTION_05_06>

This seems difficult to achieve without incorporating the missing part dedicated to the ESG taxonomy which was part of the Consultation Paper.

<QUESTION_05_06>

GENERAL PRINCIPLES FOR INVESTMENT PRODUCT DISCLOSURES

General comments on the Principles:

<COMMENT_00_00>

In general, we agree with the General Principles.

<COMMENT_00_00>

Comments on Principle #1:

<COMMENT_00_01>

There can be some questions regarding what is "material" – e.g. for quantitative ESG strategies, disclosure of information on the back-testing process and overfitting bias in particular, is arguably highly material, but is rarely given.

<COMMENT_00_01>

Comments on Principle #2:

<COMMENT_00_02>

ENTER RESPONSE HERE

<COMMENT_00_02>

Comments on Principle #3:

<COMMENT_00_03>

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<COMMENT_00_03>

Comments on Principle #4:

<COMMENT_00_04>

ENTER RESPONSE HERE

<COMMENT_00_04>

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>

It could be beneficial for an investor that a compliant presentation provides an overview of which recommendations have and have not been adapted by the investment manager. This would enable an investor to start a dialog why a certain recommendation has not been adapted. This could be done by adding all recommendations into a list and highlighting the ones that have been adopted by the specific product.

An important point that is missing is how to manage potential conflicts with local ESG Disclosure regulations and the impact on the compliance with the CFA Institute ESG Disclosure standards.

<COMMENT_01A00>

Comments on Provision 1.A.1:

<COMMENT_01A01>

ENTER RESPONSE HERE

<COMMENT_01A01>

Comments on Provision 1.A.2:

<COMMENT_01A02>

If investment managers are permitted to choose the products to which the Standards are applied, they should provide the criteria to allow investors to evaluate potential selection bias. Once chosen, it should not be allowed to withdraw products from compliance randomly, but only in the case of a significant product change or termination.

<COMMENT_01A02>

Comments on Provision 1.A.3:

<COMMENT_01A03>

ENTER RESPONSE HERE

<COMMENT_01A03>

Comments on Provision 1.A.4:

<COMMENT_01A04>

ENTER RESPONSE HERE

<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>
The sentence leaves some room for interpretation. It is not completely clear, whether it is sufficient - according to the Standards - to include the relevant information in a product's prospectus with e.g. 500 pages and without a table of contents if there is a separate section for the ESG disclosures. Maybe it would be a good idea to give the ESG Disclosure section a specific name (as a requirement), so as to the information could easily be found by investors.
<COMMENT_01A07>

Comments on Provision 1.A.8:

<COMMENT_01A08>
ENTER RESPONSE HERE
<COMMENT_01A08>

Comments on Provision 1.A.9:

<COMMENT_01A09>
ENTER RESPONSE HERE
<COMMENT_01A09>

Comments on Provision 1.A.10:

<COMMENT_01A10>
A definition of materiality of the change should be added in this case to illustrate the change that would trigger/require an update of an investment product's compliant presentation or reference the materiality definition in 2.A.7
While reading this provision, we wondered if the client has to be notified and in which ways. This is addressed in provision 2.A.7. It might be practicable to change the order of the provisions, since provisions 1.A.10 and 2.A.7 are interlinked.
<COMMENT_01A10>

Comments on Provision 1.A.11:

<COMMENT_01A11>
Probably this is the intention, but it is not defined what a reasonable time frame is? Maybe it could be defined as a recommendation.
<COMMENT_01A11>

Comments on Provision 1.A.12:

<COMMENT_01A12>

We understand that this applies mainly to new investors. Should existing investors not also be provided with the latest compliant presentation, should there be changes throughout the lifecycle of the product?

It would be difficult for an asset manager to provide a compliant presentation before the inception of an investment product and have it independently verified, as it would be difficult to have the product verified before its launch. It would be good to have a recommendation for this type of situations.

<COMMENT_01A12>

Comments on Provision 1.A.13:

<COMMENT_01A13>

In our opinion the investment manager should proactively provide a presentation to the investor, rather than the investor has to ask for it. For example, a compliant presentation should be part of the usual product disclosures that are published on the website.

<COMMENT_01A13>

Comments on Provision 1.A.14:

<COMMENT_01A14>

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<COMMENT_01A14>

Comments on Provision 1.A.15:

<COMMENT_01A15>

ENTER RESPONSE HERE

<COMMENT_01A15>

Comments on Provision 1.A.16:

<COMMENT_01A16>

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<COMMENT_01A16>

Comments on Provision 1.A.17:

<COMMENT_01A17>

ENTER RESPONSE HERE

<COMMENT_01A17>

Comments on Provision 1.A.18:

<COMMENT_01A18>

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<COMMENT_01A18>

Comments on Provision 1.A.19:

<COMMENT_01A19>

It is unclear whether there the periodic notification is free of charge. Maybe this could be mentioned to avoid any doubts.

<COMMENT_01A19>

Comments on Provision 1.B.1:

<COMMENT_01B01>

It could be discussed whether this should be a requirement. A firm should know which presentations are compliant and which are not.

<COMMENT_01B01>

Comments on Provision 1.B.2:

<COMMENT_01B02>

ENTER RESPONSE HERE

<COMMENT_01B02>

SECTION 2: GENERAL INFORMATION

General comments on Section 2:

<COMMENT_02A00>

Adding a requirement to include all external data providers involved in the assessment of the ESG-related performance of the product could help an investor to better understand the overall process and quality of the data provided.

<COMMENT_02A00>

Comments on Provision 2.A.1:

<COMMENT_02A01>

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<COMMENT_02A01>

Comments on Provision 2.A.2:

<COMMENT_02A02>

<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>

The term "asset class" can be very broad; alternatively, "asset segments" or "types of securities" might provide more clarity on the investment universe.

<COMMENT_02A05>

Comments on Provision 2.A.6:

<COMMENT_02A06>

ENTER RESPONSE HERE

<COMMENT_02A06>

Comments on Provision 2.A.7:

<COMMENT_02A07>
ENTER RESPONSE HERE
<COMMENT_02A07>

Comments on Provision 2.A.8:

<COMMENT_02A08>
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<COMMENT_02A08>

Comments on Provision 2.B.1:

<COMMENT_02B01>
Providers of the ESG data from which the data is sourced should also be listed.

Disclosure of external certifications should be classified as a requirement rather than as a recommendation. Knowing that a product was certified by an external party would give potential investors more confidence.

<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>
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<COMMENT_03A01>

Comments on Provision 3.A.2:

<COMMENT_03A02>
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<COMMENT_03A02>

Comments on Provision 3.B.1:

<COMMENT_03B01>
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<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>
A recommendation to provide key ESG-related datapoints (depending on the asset class/strategy/ESG or Impact objective) both for the strategy and the benchmark and eventually a broader market index could be added to demonstrate the impact of the ESG-related considerations on the final portfolio composition.

It could be beneficial to include the information if the chosen benchmark is consistent with the definition of an EU Climate Transition Benchmark or an EU Paris aligned benchmark – given that these two types will gain importance in the near future.

<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>

In the case when there are no external ESG data providers available for an asset class, it is important that the asset manager defines the process / approach which is used to collect the data. The sources of ESG information will already say a lot on its reliability. For transparency and reliability of the information, it should be mandatory to describe the ESG data provider's sources.

<COMMENT_05A00>

Comments on Provision 5.A.1:

<COMMENT_05A01>

The current provision states that investment manager may choose, but is not required, to disclose the names of third-party data providers when describing the sources of ESG information. In some cases, the selection of the data provider may have a material effect on the portfolio construction process. Thus, when it comes to third party ESG data providers, it should be mandatory to disclose what data providers have been used. In case of using multiple providers, it has to be made clear which data points have been used from which provider, so that the investors could do their own research on the data quality and even more important on the methodology used by the third parties.

<COMMENT_05A01>

Comments on Provision 5.A.2:

<COMMENT_05A02>

ENTER RESPONSE HERE

<COMMENT_05A02>

SECTION 6: ESG EXCLUSIONS

General comments on Section 6:

<COMMENT_06A00>

It should be mentioned how often the exclusion list is updated and if there is any process in place that could lead to exceptions for certain companies. Especially for exceptions that are not based on missing or incomplete data, but more on a clear business decision to keep the investment due to factors like size, market cap etc.

Applicability of the exclusion lists to eventual short positions and the rationale behind it should be mentioned, if applicable.

<COMMENT_06A00>

Comments on Provision 6.A.1:

<COMMENT_06A01>

Additional disclosure of the quantitative impact of the ESG-driven exclusions on the investable universe will be very useful (e.g. sector/country/geography/market cap/instrument type compared to a standard benchmark).

<COMMENT_06A01>

Comments on Provision 6.A.2:

<COMMENT_06A02>

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<COMMENT_06A02>

Comments on Provision 6.A.3:

<COMMENT_06A03>

ENTER RESPONSE HERE

<COMMENT_06A03>

Comments on Provision 6.A.4:

<COMMENT_06A04>

A provision or an additional point should be added for passive breaches. An example of a passive breach would be when a current holding has encountered a material change that have triggered an exclusion criterion. Some recommendations regarding how to deal with disclosures of passive breaches and proposed remedies should be added, especially for less liquid asset classes.

<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>
<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>

<COMMENT_08A00>

Comments on Provision 8.A.1:

<COMMENT_08A01>

In case the manager has a portfolio-level criterion which is based on a carbon gas emission metric, it is important that the manager states the metric being used (e.g. WACI, carbon footprint, etc.) as well as which emissions are included (i.e. Scope 1 and 2 or Scope 1, 2 and 3). It would be advisable to mention this in the Notes to this provision in order to avoid any misunderstandings.

<COMMENT_08A01>

Comments on Provision 8.A.2:

<COMMENT_08A02>

ENTER RESPONSE HERE

<COMMENT_08A02>

Comments on Provision 8.B.1:

<COMMENT_08B01>

It should be the role of the investment manager to provide investors with reports showing how the portfolio-level criteria developed over time and where they are standing now. Hence, the “if such exists” should be removed. In addition, we believe that this should be a requirement rather than a recommendation as investors should be able to see the evolution of the portfolio-level characteristics.

<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>
A compliant presentation should also mention to what percentage of the portfolio the impact objectives do not apply.
<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>
ENTER RESPONSE HERE
<COMMENT_09A04>

Comments on Provision 9.A.5:

<COMMENT_09A05>
ENTER RESPONSE HERE
<COMMENT_09A05>

Comments on Provision 9.B.1:

<COMMENT_09B01>
This point should be classified as a requirement rather than a recommendation. Investors investing in an impact strategy should be able to understand the impact that was achieved.
<COMMENT_09B01>

SECTION 10: STEWARDSHIP

General comments on Section 10:

<COMMENT_10A00>

In case the manager has a policy to vote all proxies above a certain threshold (i.e. all companies that have a portfolio weight above 1% or all companies with a minimum market cap), it may be helpful if this threshold was disclosed.

Consider also adding a recommendation to mention any existing conflicts of interests in engagement activities.

<COMMENT_10A00>

Comments on Provision 10.A.1:

<COMMENT_10A01>

It could be useful to give examples where applicable stewardship activities are specified by asset class. An investment product may have holdings in different asset classes and have a blend of stewardship activities which will be neither specific to the investment product nor firm-wide. For example, for proxy voting, it could be that it is undertaken by the portfolio managers for a specific asset class (e.g.equities), while investee engagements are handled at the organization level or by a different asset class's investment team – e.g. sustainability-related debt investments.

Also, if a standard proxy voting policy is used (no custom policy in place), this should be addressed as well.

<COMMENT_10A01>

Comments on Provision 10.A.2:

<COMMENT_10A02>

ENTER RESPONSE HERE

<COMMENT_10A02>

Comments on Provision 10.A.3:

<COMMENT_10A03>

Disclosing the involvement of proxy voting advisors should be explicitly added given that they are gaining more importance year to year.

<COMMENT_10A03>

Comments on Provision 10.A.4:

<COMMENT_10A04>

ENTER RESPONSE HERE

<COMMENT_10A04>

Comments on Provision 10.B.1:

<COMMENT_10B01>

This point should be classified as a requirement rather than a recommendation. Investors should be able to review the achievements of stewardship activities performed by the manager.
<COMMENT_10B01>

GLOSSARY

General comments on Glossary:

<COMMENT_11A00>
ENTER RESPONSE HERE
<COMMENT_11A00>

Comments on **BENCHMARK**:

<COMMENT_11A01>
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<COMMENT_11A01>

Comments on **COMPLIANT PRESENTATION**:

<COMMENT_11A02>
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Comments on **ESG INFORMATION**:

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Comments on **ESG ISSUE**:

<COMMENT_11A04>
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Comments on **EXCLUSION**:

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Comments on **FINANCIAL OBJECTIVE**:

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Comments on **IMPACT OBJECTIVE**:

<COMMENT_11A07>

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Comments on **INVESTMENT MANAGER:**

<COMMENT_11A08>
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Comments on **INVESTMENT PRODUCT:**

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Comments on **INVESTOR:**

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<COMMENT_11A10>

Comments on **STEWARDSHIP:**

<COMMENT_11A11>
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<COMMENT_11A11>

Comments on **STEWARDSHIP ACTIVITY:**

<COMMENT_11A12>
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<COMMENT_11A12>

GENERAL COMMENTS

General comments on Exposure Draft:

<COMMENT_12A00>

Both sample compliant presentations relate to liquid equity and fixed income products. There should be additional examples focusing on less liquid asset classes, such as private markets investments and real estate.

<COMMENT_12A00>