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Delivered By Email: standards@cfainstitute.org

Chartered Financial Analyst Institute

Dear Sirs and Mesdames:

RE: *Exposure Draft of the CFA Institute ESG Disclosure Standards for Investment Products*

The Investment Funds Institute of Canada (**IFIC**) appreciates the opportunity to comment on the CFA Institute ESG Disclosure Standards for Investment Products (**Consultation**).

IFIC is the voice of Canada's investment funds industry. IFIC brings together approximately 150 organizations, including fund managers, distributors and industry service organizations to foster a strong, stable investment sector where investors can realize their financial goals. IFIC operates on a governance framework that gathers member input through working committees. The recommendations of the working committees are submitted to the IFIC Board or board-level committees for direction and approval. This process results in a submission that reflects the input and direction of a broad range of IFIC members.

We welcome the CFA's initiative to develop voluntary ESG Disclosure Standards for Investment Products. While Canadian fund managers and advisory firms have a long history of providing ESG and responsible investment products and services to their clients, in some cases, going back decades, there remains debate and confusion over what ESG is and how responsible investment is done.

The draft provisions outlined in the Consultation are helpful in establishing and clarifying the types of information that could be included in an investment product's disclosures regarding ESG-related aspects of an investment product strategy. The draft provisions are also helpful in establishing a robust and meaningful set of required disclosure elements that an investment manager could voluntarily adopt should they wish to identify their ESG disclosure as a "compliant presentation". The standards would also provide useful information to investors. At the same time the standards would provide the necessary disclosure that others, including third party data providers and labeling and certification frameworks, require for providing more simplified investor disclosure and tools for the identification and categorization of ESG investment products.

Recommendation

As the Exposure Draft (Draft) itself acknowledges, the disclosure standards do not require or prohibit the use of particular terms and are not intended to be a naming or labeling standard. The standards do not establish thresholds or necessary or sufficient requirements for products to be considered ESG, responsible, sustainable, or impact. The disclosure standards also do not provide global standards for categorizing approaches to ESG, or what the CFA terms, ESG features. This limits their direct utility in

providing advisors and retail investors with succinct and accessible information for identifying and comparing ESG products and aligning products with investment goals. IFIC encourages the CFA to continue the work that was started in the *Consultation Paper on the Development of the CFA Institute ESG Disclosure Standards* and work towards incorporating standards for naming and categorizing ESG investment products into the Disclosure Standards. Without naming and categorization standards and established minimum standards for ESG product features, investors could confuse a “compliant presentation” with one that achieves a standard of ESG investment practice. In other words, the Standards could facilitate rather than mitigate “greenwashing”.

* * *

IFIC is pleased to have had this opportunity to provide our comments to the CFA Institute. Please feel free to contact me by email at ibragg@ific.ca or by phone at 416-309-2325. I would be pleased to provide further information or answer any questions you may have. Detailed responses are provided in the Response Form below.

Yours sincerely,

THE INVESTMENT FUNDS INSTITUTE OF CANADA



By: Ian Bragg
Vice President, Research & Statistics

General Information (required)

<p>Respondent:</p> <p><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></p>	<p>Investment Funds Institute of Canada</p>
<p>Stakeholder Group:</p> <p><i>(Please select the stakeholder group with which you most closely identify.)</i></p>	<p>Asset Manager</p>
<p>Region:</p> <p><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></p>	<p>North America</p>
<p>Country:</p> <p><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></p>	<p>Canada</p>
<p>Confidentiality Preference:</p> <p><i>(Please select your preference for whether your response is published on the CFA Institute website.)</i></p>	<p>yes, my response may be published</p>

QUESTIONS FOR INTENDED USERS

Questions for Investment Managers

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>

The provisions identified in the Exposure Draft (**Draft**) are helpful in establishing and clarifying the types of information that could be included in an investment product’s disclosures regarding ESG-related aspects of an investment product strategy. The provisions are also helpful in establishing a robust and meaningful set of required disclosure elements that investment manager could voluntarily adopt should they wish to identify their ESG disclosure as a “compliant presentation”.

As the Draft itself acknowledges, the disclosure standards do not require or prohibit the use of particular terms and are not intended to be a naming or labeling standard. The standards do not establish thresholds or necessary or sufficient requirements for products to be considered ESG, responsible, sustainable, or impact. The disclosure standards also do not provide global standards for categorizing approaches to ESG, or what the CFA terms, ESG features. This limits their direct utility in providing advisors and retail investors with succinct and accessible information for identifying and comparing ESG products and aligning products with investment goals.

IFIC encourages the CFA to continue the work that was started in the Consultation Paper on the Development of the CFA Institute ESG Disclosure Standards and work towards incorporating standards for naming and categorizing ESG investment products into the Disclosure Standards. Without naming and categorization standards and established minimum standards for ESG product features, investors could confuse a “compliant presentation” with one that achieves a standard of ESG investment practice.

<QUESTION_01_01>

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>

In Canada, there are no local, provincial, federal regulation or industry codes or standards that the draft provisions will align or conflict with. However, Provincial and Territorial securities regulation do currently mandate continuous disclosure of many of the elements in the draft provisions, notably in the General Information, Objectives, and Benchmarks sections. However, this is not anticipated to require a high degree of redundant disclosure, even for investment managers choosing to prepare a “Complaint Presentation”. For, even though the disclosure standards are to be contained in a single document the Draft does clarify that a “Compliant Presentation” need not be a standalone document and could be a distinct section within a larger document.

There are two main initiatives in Canada that will have implications for any voluntary standards. One is the Federal Sustainable Action Council, which has the broad mandate to develop a sustainable finance market and one specific mandate of “developing standards for investments to be identified as sustainable.” The Action Council was launched in May 2021.

The other initiative is being led by the Canadian Investment Funds Standards Committee

(CIFSC) which has adopted the goal of developing an independent framework for the identification and categorization of Canadian responsible investment funds. CIFSC has a stated a goal of aligning its framework with the CFA Standards. It is expected that CIFSC will issue a draft framework in late 2021 or early 2022.

Finally, we encourage due consideration of emerging and pending local regulation in Canada and the US (and other jurisdictions). In particular, we anticipate further principles-based guidance from IOSCO, the Ontario Securities Commission and the SEC over the near term. Within this context, investors would benefit most from initiatives that facilitate convergence of various standards. The CFA may be well positioned to support efforts in this regard.
<QUESTION_01_02>

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>

IFIC has consulted its fund manager members on this question and believes that, for those managers choosing to adopt the Standards, it will be feasible to provide the information required by the draft disclosure provisions and to adhere to the fundamental provisions.
<QUESTION_01_03>

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>

While a compliant presentation will provide important ESG-related information to asset owners and other sophisticated investors, the Standards are not expected to provide the kind of standardized information required of advisors and retail investors to easily identify and compare ESG investment products based on ESG objectives and strategies. Nonetheless, the Standards, if adopted, would provide third-party data providers, consultants, industry bodies and potentially others, with the necessary information upon which to build ESG identification, categorization and certification frameworks and other tools for a range of investors.
<QUESTION_01_04>

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

<QUESTION_01_05>

Yes. Given the number of required disclosure elements in the Standards and the detailed recommendations and guidance, a template for reporting compliant presentations would be helpful.

<QUESTION_01_05>

GENERAL PRINCIPLES FOR INVESTMENT PRODUCT DISCLOSURES

SECTION 1: FUNDAMENTAL REQUIREMENTS AND RECOMMENDATIONS

Comments on Provision 1.A.10:

<COMMENT_01A10>

Provision 1.A.10 states that, “As soon as a change to an investment product becomes effective, or a change to the Standards’ requirements or interpretive guidance becomes effective, the compliant presentation for that investment product must reflect the change. It would be challenging to meet the “as soon as” requirement in the provision. IFIC recommends that this requirement is altered to allow for changes to be reported “as soon as practically possible” in order to minimize the compliance strain.

<COMMENT_01A10>

Comments on Provision 1.A.12:

<COMMENT_01A12>

Provision 1.A.12 states that if the investment manager has prepared a “compliant presentation” for an investment product, the investment manager must make every reasonable effort to provide the investment product’s compliant presentation to all investors prior to their initial investment in the investment product. IFIC recommends that this provision be altered to require only that a compliant presentation is made available and accessible to investors on the issuer’s website. It is not practical or feasible for mutual fund or ETF issuers to provide direct communication with investors prior to an initial investment. While Canadian securities regulation requires dealers to provide investors with Fund Facts prior a mutual fund purchase, and ETF Facts within two days, the content of these documents are prescribed by regulation and do not allow space for detailing investment processes, evidence of engagements, or other elements of a compliant presentation.

<COMMENT_01A12>

SECTION 2: GENERAL INFORMATION

Comments on Provision 2.A.3:

<COMMENT_02A03>

This Provision requires that an investment product’s “compliant presentation” must include the investment product’s inception date. It should be made clear that when a fund is offered in multiple series, the Provision does not require a separate presentation for each series or share class and provides for the discretion to attribute the presentation to all share classes or the oldest share class.

<COMMENT_02A03