

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

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

**Providing Feedback**

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

Guidelines for submission

Comments are most useful when they:

- directly address a specific issue or question,
- provide a rationale and support for the opinions expressed, and
- suggest alternative solutions in the event of disagreement.

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

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

Requirements for submission

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

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

**General Information (required)**

<b>Respondent:</b> <i>(Please enter your full name if you are submitting as an individual or the name of the organization if you are submitting on behalf of an organization.)</i>	Kimberly Gladman (I am responding from an asset manager perspective; I am based in Boston. The “choose an item” drop-downs are not working for me. You can make my responses public.)
<b>Stakeholder Group:</b> <i>(Please select the stakeholder group with which you most closely identify.)</i>	Choose an item.
<b>Region:</b> <i>(If you are submitting as an individual, please select the region in which you live. If you are submitting on behalf of an organization and the organization has a significant presence in multiple regions, please select “Global”. Otherwise, please select the region in which the organization has its main office.)</i>	Choose an item.
<b>Country:</b> <i>(If you are submitting as an individual, please enter the country in which you live. If you are submitting on behalf of an organization, please enter the country in which the organization has its main office.)</i>	USA
<b>Confidentiality Preference:</b> <i>(Please select your preference for whether your response is published on the CFA Institute website.)</i>	Choose an item.

## Consultation Paper Questions

### **Market Needs**

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

<QUESTION\_01>

YES

<QUESTION\_01>

### **Terminology**

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

<QUESTION\_02>

NO

<QUESTION\_02>

### **Purpose and Scope**

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

<QUESTION\_03>

N/A

<QUESTION\_03>

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

<QUESTION\_04>

YES

<QUESTION\_04>

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

<QUESTION\_05>

Yes. This is important. The PRI signatory reporting framework focuses on the firm level already. The CFA Standard would complement that by providing product-level disclosure. In this way it would be analogous to the CFA's GIPS recommended standard for reporting financial performance, and would be very valuable. Ideally, a norm would develop that PRI signatories append to their PRI report their CFA-compliant product-level disclosures. This would allow investors to see at a glance the extent to which PRI signatories are implementing their commitments in a concrete way through specific funds (as opposed to making aspirational statements at the level of top leadership, which may be disconnected from the activities of most of the portfolio managers who are making the firm's investment decisions).

<QUESTION\_05>

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

<QUESTION\_06>

Yes. But it would be useful to require, if possible, that any asset manager who is reporting to this standard (for example in a PRI report) provide a list of all the funds which they are presenting in their marketing materials to investors as having ESG-related features, even if they are not reporting to the standard on each fund. For example, a large asset manager might have both an actively managed low-carbon equity fund which it has carefully designed, and an ESG ETF that it recently acquired when it bought another firm, and which simply applies differential weightings to an index based on ratings from a commercial ratings provider. This asset manager should be allowed to report only on the actively managed fund, but it would ideally list the ETF as well so that investors consulting the disclosures can see that one fund has been much more thoughtfully constructed than the other.

<QUESTION\_06>

## **Design Principles**

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

<QUESTION\_07>

Yes.

<QUESTION\_07>

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

<QUESTION\_08>

Yes.

<QUESTION\_08>

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

<QUESTION\_09>

One document is much better, especially (as noted above) if combined with PRI reporting or with the “Stewardship reports” that some firms are now doing. However, it would also make sense for each fund’s prospectus to contain the disclosure for that fund according to the standard.

<QUESTION\_09>

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

<QUESTION\_10>

Yes

<QUESTION\_10>

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

<QUESTION\_11>

Optional (not necessarily best) practice. In some cases it will not be necessary because it is obvious from past history and actions that the asset manager is the real deal, but some newcomers to the field might find independent examination helpful in marketing. Also, I think you do not want to create a new industry of “examiners” who may have their own vested interests if independent examination were to become a requirement and thus potentially significant revenue stream.

<QUESTION\_11>

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

<QUESTION\_12>

Disclosures only. There is too much subjectivity involved in judging implementation.

<QUESTION\_12>

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

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

<QUESTION\_13>

See my annotations below on proposed requirements.

1. Description of the investment product's investment mandate, objective, or strategy

KG: I would amend this to read "...or strategy *and its relation to ESG*". The articulation of mandate/objective/strategy itself should articulate something about ESG if the fund is reporting to this standard. If it does not, then it is just a conventional fund that is using ESG factors in the way many investment managers claim they "always already" have been---e.g., when coal stocks tank because a fracking glut has made natural gas super-cheap, they exit coal.

2. Time horizon of the ESG investment analysis

KG: I don't know what is meant by this. In practice PM's consider ESG on varying time horizons depending on the case (e.g., a lawsuit or strike or new product under development might be relevant this quarter, while climate impacts are relevant in a generational time frame). I would omit this.

3. The investment universe (prior to any exclusions)

KG: OK—and can go into bullet #1

4. The investment product's benchmark(s)

KG: OK—and can go into bullet #1

5. Description of any monitoring and review procedures to evaluate the investment product's alignment with its stated investment objectives

KG: I don't understand the need for this one either, and would also omit it—often the objective of an ESG fund is to match or slightly outperform a benchmark while engaging companies and nudging them in a positive direction. Those who do this sincerely are continually thinking about how successful they are on the positive change front, and reporting financial performance in standard ways. So I don't think there are extra "monitoring and review procedures" most ESG PM's I know could enumerate. I would omit.

6. Material changes to the investment product's ESG-related features and the effective date of the changes including, specifically, if the investment product has transitioned from an investment product without ESG-related features to an investment product with ESG-related features

KG: OK, but add "if any"

KG: I think it's essential to add a new item as follows, because you want investors to be able to see up front a quick overview of what ESG means at this fund.

7. A brief description of the main ways that ESG concerns affect portfolio construction and management (including engagement activities, if any).

So to sum up: If you retained 1, 3, 4, 6 (if applicable) and 7, you might get descriptions like these:

ABC Fund's investment objective is to grow investors' capital over the long-term, while contributing to the mitigation of systemic risks affecting all portfolios. The fund is benchmarked to the S&P 500, but draws on an investment universe of all US equities. ABC's ESG strategy is executed by excluding firms whose products impose significant negative externalities on society, and including whenever possible firms whose activities create positive extra-financial benefits for stakeholders. ABC Fund also seeks to contribute to the long-term stability and prosperity of society through an active program of corporate engagement and proxy voting.

DEF Fund's investment objective is to grow investors' capital over the long-term, while minimizing investment in firms whose activities are harmful to society. The fund is benchmarked to the S&P 500, but draws on an investment universe of all US equities. ABC's ESG strategy is executed by underweighting firms whose scores on our proprietary ESG

rating model fall in the lowest quartile and overweighting those who score in our top quartile.

GEH Fund's investment objective is to provide market-rate fixed-income returns while facilitating access to capital to traditionally underserved communities. The fund is benchmarked to [whatever index. . . ]. GEH's strategy is executed in conjunction with three community development financial institutions, which assist us in creating a portfolio of education, small business, and first-time home buyer loans.

ESG Alpha Fund's investment objective is to outperform its benchmark, the S&P 500, by [whatever percentage] on average, by assessing and trading on investment-relevant factors that are currently not priced by the market, including employee relations, environmental efficiency, and executive and board leadership quality. Our strategy is executed through fundamental analysis by our investment team and through the use of proprietary ratings models, and draws from a universe of all US equities.

<QUESTION\_13>

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

<QUESTION\_14>

If a product is claiming as part of its marketing that it is focused on a particular set of policy goals, it should certainly say so in the standard (but this will happen by requiring funds to explain how ESG forms part of its strategic objective). There should NOT be a general question on whether a fund seeks to advance policy goals, because a question of that kind might imply that funds ought to do so, while both the feasibility and advisability of doing so is a matter of opinion and debate.

<QUESTION\_14>

**Question 15: Should the disclosure requirements include an explanation of whether, and if so how, an investment product considers principal adverse impacts on sustainability factors and where to find additional information, as required by Article 7 of Regulation EU 2019/2088 Sustainable Finance Disclosure Regulation?**

<QUESTION\_15>

I have no idea what this means and reading the relevant Article did not make it clearer. So for now I am going to say no.

<QUESTION\_15>

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

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

<QUESTION\_16>

No. ESG integration is currently used to mean all sorts of vague things (including, all too often, “we consider it along with lots of other stuff”) and you want to be more precise. I think what you mean here is ESG in portfolio construction, and I would change some of the things included here to make that clear. See below for my comments on the current bullet points.

1. The specific methods by which material ESG-related factors are considered in asset allocation, security selection, portfolio construction, and risk management (see list in the Examples section)

KG: If what you mean is ESG in portfolio construction, get rid of the word “material” (b/c in some cases people will be doing it for religious or moral preference) and get rid of “risk management” (b/c lots of people see their advocacy as the primary risk management strategy, especially with risks like climate change that you cannot diversify). If what you mean is ESG for better risk-adjusted returns or alpha, leave it as is (but call it that, not “integration.” )

2. How material ESG-related factors are distinguished from non-material ESG-related factors

KG: I would change this to something like “which ESG factors are considered,” if you mean portfolio construction, and “which ESG factors are considered material” if you mean ESG for alpha, and allow AMs to be more vague. The question of materiality is a massively complex one that a huge chunk of academia is tying itself in knots over, and there is no simple answer to this (it depends on time frame, varies by industry, is also complicated by things that are material to financial performance but not investment performance because they are already priced in or the stock is already overvalued, etc.) I also would not press people to elevate some ESG issues as material and others as not, as it is so situation-dependent.

3. The sources of ESG data, estimates, and analysis used in decision making

KG: I would soften this to something like “a description of sources and whether they are internal or third-party” . People may consider the data sources they use proprietary and will not think it is reasonable to ask to specify. But it IS reasonable to ask whether a fund is doing its own research, just plugging in ratings from a third party, or doing a combination thereof.

4. A description of the qualitative or quantitative attribution performance analysis, if any, for evaluating material ESG-related factors KG: Omit this for reasons explained in #2

<QUESTION\_16>

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

<QUESTION\_17>

No. If that is what you want it to mean, call it “ESG Alpha” or “ESG for Outperformance” or something like that and make the changes suggested above.



<QUESTION\_17>

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

<QUESTION\_18>

No. In general I do not think the six features are as well organized as they might be. See above for my comments on feature A.

<QUESTION\_18>

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

<QUESTION\_19>

See above

<QUESTION\_19>

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

<QUESTION\_20>

As noted in my general comments below, I would suggest combining both the exclusions and the “best in class” discussion under a single item on “security selection,” since they fit together simply and are often used in combination. Both are about what you will and won’t invest in and why. So it would simplify matters to have one question to which the answer could be, for example, “Our fund excludes firms with significant involvement in the manufacturer of tobacco and weapons, as well as those scoring in the lowest quintile of peers according to our proprietary ratings methodology, which considers corporate impacts on a wide range of stakeholders. We also overweight, relative to the benchmark, those our research identifies as sustainability leaders.”

<QUESTION\_20>

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

<QUESTION\_21>

See answer above

<QUESTION\_21>

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

<QUESTION\_22>

It makes it sound as though exclusions are solely about moral issues, although many would argue they relate to risk reduction.

<QUESTION\_22>

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

<QUESTION\_23>

The details demanded will run afoul of proprietary information concerns at funds (e.g., about specific ways exclusionary criteria can be changed).

<QUESTION\_23>

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

<QUESTION\_24>

As noted above and below, I think this should be combined into a general question on security selection.

<QUESTION\_24>

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

<QUESTION\_25>

See general comments below

<QUESTION\_25>

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

<QUESTION\_26>

See general comments below

<QUESTION\_26>

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

<QUESTION\_27>

See general comments below

<QUESTION\_27>

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

<QUESTION\_28>

As noted below, I think this can fall under either security or selection or asset allocation (e.g., with carbon free funds that omit certain industries). I do not think it needs to have a separate indicator, and indeed that it is often hard to distinguish “thematic ESG” from other forms. General ESG funds use multiple themes.

<QUESTION\_28>

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

<QUESTION\_29>

See general comments below

<QUESTION\_29>

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

<QUESTION\_30>

See general comments below

<QUESTION\_30>

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

<QUESTION\_31>

See general comments below

<QUESTION\_31>

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

<QUESTION\_32>

As noted below, I think “impact” should be reserved for fixed income or private investment funds that intend to support socially and environmentally beneficial activities, and their impact objectives should be described in the general fund objective I suggested modifying above to include ESG elements. Otherwise a discussion of “impact” (which all equity funds that do advocacy can also claim to have) will overlap with that of stewardship, engagement, proxy voting, etc. “Impact” funds are still investing in assets and engaging in some way the issuers, so they could answer the same questions all PM’s do about asset selection and portfolio construction and stewardship (see my comments below).

<QUESTION\_32>

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

<QUESTION\_33>

See above

<QUESTION\_33>

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

<QUESTION\_34>

There is too much demand for quantification, measurement, ranking, and so on. It is not possible in many cases to responsibly fulfill such a demand, and you do not want to encourage false precision. Some of these requests may also impinge on proprietary methodologies. Moreover, the impact the

fund manager thinks or hopes the investment will have drives security selection, and could be described under that heading in the simplified feature list I suggest below.

<QUESTION\_34>

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

<QUESTION\_35>

This is not a bad name, but—as my comments below indicate—the current framework spends a disproportionate amount of indicators on portfolio construction relative to engagement, making it seem as though engagement is a relatively minor feature, when as I and many others see it, there are two main ways an investor can make the kind of changes ESG is all about: owning the asset (or selling it) and using one’s voice as an investor, through proxy voting, dialogue, shareholder resolutions. There is also the increasingly important avenue of public policy engagement (e.g., with the SEC and DOL), but that usually happens at the asset manager level, not the fund level.

<QUESTION\_35>

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

<QUESTION\_36>

See general comments below—this area should be expanded relative to others

<QUESTION\_36>

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

<QUESTION\_37>

The definition has too much emphasis on materiality and risk and return, which are typically defined in a short time horizon and with regard to an individual security, when much engagement activity (especially by long-term owners who hold the market) focuses on the long-term and on systemic risks, including cross-industry risks (e.g., when a pharma company’s pricing policy raises health care costs for all businesses, or a coal-burning utility exacerbates climate change with economy-wide effects). Similarly the request for goals of proxy voting suggests an overly concrete and short-term focus, when engagement typically aims at raising executives’ awareness and the complexity of their thinking about systemic issues. Finally the question about reliance on proxy advisors implies that is a yes/no question and that reliance on them may be suspect, when a more

relevant question would be to ask about the fund’s voting policy generally (if they have good instructions it’s fine if they rely on an advisor to implement, and if the advisor has policies the PM has read and agreed with that’s also intellectually legit—all the proxy voting firms have developed services specifically to serve the ESG community in response to the consensus views of their clientele, and many PMs use them as a baseline and make fund-specific adjustments for certain companies or issues).

<QUESTION\_37>

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

<QUESTION\_38>

See general comments below

<QUESTION\_38>

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

<QUESTION\_39>

See general comments below

<QUESTION\_39>

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

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

<QUESTION\_40>

Yes

<QUESTION\_40>

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

<QUESTION\_41>

No

<QUESTION\_41>

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

<QUESTION\_42>

No—there is no need to match features to needs in this way. All ESG investors want their investments to grow; some want to feel a moral comfort as well; most also want to contribute to societal change. The various elements of ESG investing help all those goals in differing degrees depending on the specific fund and moment in time.

<QUESTION\_42>

### **Users and Benefits**

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

<QUESTION\_43>

YES

<QUESTION\_43>

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

<QUESTION\_44>

Good as drafted

<QUESTION\_44>

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

<GENERAL\_COMMENTS>

As a general point, it seems to me that this list of features is a bit confusing because it is simultaneously trying to 1) distinguish funds that do ESG purely for conventional, short-term outperformance reasons from those that do it for a range of other reasons and 2) trying to distinguish a complete and discrete set of ESG strategies. This is less than ideal both because doing so mixes together motivations with implementation strategies, and because the motivations and strategies listed are not necessarily as mutually exclusive as this list would suggest. In other words, many ESG managers believe they will outperform in certain periods, but are also doing advocacy to mitigate long-term systemic risk, thereby “raising beta,” AND they may be including certain strategies that have a moral basis important to their investors. Another problem is that the strategies are evolving all the time and you want your framework to be evergreen. And yet another issue is that with this framework as drafted (although I appreciate this may be because there has been an effort to match ideas in it to existing frameworks at the company or asset-manager level)

you risk creating a long and burdensome questionnaire that doesn't really align with how portfolio managers think about what they do, or what funds' investors need to know to assess the fund's value to them relative to its fees. (In my opinion, the ESG funds that really do something meaningful do at least some of their own research and also do advocacy, but for that reason they are also more expensive, and it's a tradeoff people ought to be able to see and grapple with. )

Also, as I've noted in several places above, in some cases the level of detail requested will raise IP concerns. The trick as you revise will be how to clarify and simplify but still require disclosure that distinguishes funds' levels of commitment and activity in ESG.

So, a simpler way to look at it might be that a portfolio manager does two things: 1) he or she buys assets (whether they are stocks, bonds, or private equity investments) and 2) engages issuers (through proxy voting, for sure, if the assets are equities, and maybe directly if they do shareholder engagement in public equities, or speak directly to management in a private equity or venture capital "impact" fund, or engage with CDFIs or other entities that are packaging social impact bonds). Those are the two activities an investor in an ESG fund should care about: how does ESG play into what the portfolio manager decides to own, and how does it play into how he or she engages the people behind the investment? Some ESG investors attuned to systemic risk also do a lot on the public policy level (e.g., engaging with SEC or DOL rulemakings) but as noted above, it's usually not at the fund level.

So, if you make the change I suggested above to the general disclosures, to require an articulation of strategy in relation to ESG, you could have a simpler, shorter list of questions on features, as follows:

1. Portfolio Construction—Design  
Describe the ways ESG factors are used in portfolio construction, including to inform: i) security selection and ii) asset allocation
2. Portfolio Construction—Resources  
Without revealing proprietary information, describe the data, research, ratings, and modeling resources the fund uses to inform the portfolio construction described in #1, whether through internal or external sources
3. Proxy Voting (for equity funds):  
Describe the fund's approach to incorporation of ESG concerns into proxy voting, including for i) director elections, ii) executive compensation plans, iv) other management proposals, and v) shareholder proposals
4. Stewardship  
a) (for equity funds)  
Describe the fund's approach to incorporation of ESG concerns into corporate engagement, including through dialogue, shareholder resolution filings, analyst participation in earnings calls, or other methods
5. b) (for private equity, venture capital, or fixed income funds with an "impact" focus)  
Describe the engagement activities of the fund with issuers of the investments.



<GENERAL\_COMMENTS>