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.

<u>Guidelines for submission</u>

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.

<u>Requirements for submission</u>

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 by 5:00 PM E.T. on 19 October 2020.

General Information (required)

Respondent: *(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.)*	Mackenzie Financial Corporation (“Mackenzie Investments”
Stakeholder Group: *(Please select the stakeholder group with which you most closely identify.)*	Asset Manager
Region: *(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.)*	North America
Country: *(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.)*	Canada
Confidentiality Preference: *(Please select your preference for whether your response is published on the CFA Institute website.)*	yes, my response may be published

Consultation Paper Questions

Market Needs

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

<QUESTION_01>

We agree with the CFA Institute. Inconsistency and variation in ESG-related terms, investment approaches, and disclosures can lead to confusion and misunderstanding between investors and asset managers that can also, over time, lead to erosion of trust in the industry. Like the CFA Institute, we believe a standard is needed to establish disclosure requirements so that investors can more easily understand the features offered by a particular investment product and make comparisons among investment products. We also believe that geographical differences in both taxonomy and regulations present a challenge for global asset managers. We believe that a consistent set of voluntary and globally adopted ESG disclosure standards is the foundation to continue to meet the growing needs of investors.

<QUESTION_01>

Terminology

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

<QUESTION_02>

We believe the terms that are defined in the proposal are clear.

Other terms that are used in the industry do create confusion. We do find that the acronym, "SRI", consistently creates confusion. This acronym commonly refers to three, different definitions: (1) Sustainable, Responsible, and Impact; (2) Socially Responsible Investing; (3) Sustainable and Responsible Investing.

At Mackenzie Investments, we use the term Sustainable, Responsible, and Impact (SRI) Investing – which is the broadest use of the term adopted by the Forum for Sustainable and Responsible Investing (i.e. US SIF). In particular, we promote four investment styles under SRI:

- Responsible Investing: Implementation of ESG practices (integration, stewardship, and broad-based exclusions) to mitigate material ESG risk across a portfolio;

- Sustainable Investing: The use of ESG research and insights to develop solutions that provide long-term sustainable impact and returns – this style would use approaches such as best-in-class screening, negative screening, and positive tilting;

- Thematic Investing: The focus on an ESG theme, such as diversity or climate, that is subject to anticipated capital allocation and hence presenting a strong investment thesis while solving for an ESG issue; and

- Impact Investing: Targeting specific ESG challenges, such as reducing global hunger; this investing style prioritizes impact over returns.

We believe that Socially Responsible Investing presents negative connotations for investors, as our research indicates that this term suggests social causes take priority over performance – which is not the case. While Sustainable and Responsible Investing has been adopted by Eurosif, we believe it is critical to include the term Impact because Impact Investing is gaining momentum and demand among investors. Finally, we note that the term Responsible Investing (RI) is often used to reflect all of the strategies described above, leading to further confusion. As stated above, we believe that this term should focus on the practices that are consistent with the Principles for Responsible Investment.

<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>

To create consistency between the Standard and other applicable regulations, the revised European Union Shareholder Rights Directive ("SRD II") should be considered as it imposes certain disclosure requirements for EU-based asset managers and asset owners on engagement and investment strategies as investors in European Economic Area ("EEA") companies.

<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, we strongly agree that a disclosure-based approach will be more helpful than a prescriptive-based approach. We are of this view for each of the reasons cited by the CFA Institute, and in particular that it provides a common way to describe investment products that should not inherently conflict with regional regulations or prescriptive standards. Also, it provides flexibility to reflect a diversity of investment approaches and can adapt to both changes in investor needs and will help promote investment product innovations. We believe a prescriptive approach, which describes features an investment product must have or how features should function or perform in order to achieve a minimum level of benefits or performance, could lead to inconsistency in application and lead to greater confusion – and importantly, hinder innovation.

<QUESTION_04>

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

<QUESTION_05>

We believe that product and firm cannot be mutually exclusive and support the inclusion of firm-level disclosures to increase overall consistency and transparency.

Asset managers must be authentic in their investment practices, from the top of the organization down to individual investments. For example, it would be challenging for a firm to mandate that portfolio companies implement a diversity strategy while the firm itself is not serious about such a strategy. While there is tremendous value to our investments in ensuring that material ESG issues are considered in all portfolios, our responsibility as stewards of capital is to also lead the way for change by example.

<QUESTION_05>

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

<QUESTION_06>

We believe the Standard must apply to all investment products offered by an asset manager that have one or more of the features defined in the Standard as an ESG-related feature. Asset managers must not have the flexibility to pick and choose the products that the Standard should apply to. This will help minimize investor confusion and the potential for "greenwashing".

<QUESTION_06>

Design Principles

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

<QUESTION_07>

Yes, we agree with each of the design principles cited by the CFA Institute. They are clear and easy to understand. Notably, our current practices align with each of the principles.

<QUESTION_07>

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

<QUESTION_08>

Yes, for similar reasons noted in our response to question 7, we agree with each of the design principles for disclosure requirements.

<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>

We broadly agree with the principle that ESG related disclosures should be incorporated in a single ESG related disclosure, mainly to improve simplicity and comparability among products. However, the CFA Institute must be mindful of existing securities regulatory requirements that mandate both the type and form of disclosure for investment products such as investment funds. Existing regional securities regulation must always take precedent – any disclosure standard suggested by the CFA Institute must only apply to the extent that such disclosure does not conflict with existing securities and other regulatory requirements.

<QUESTION_09>

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

<QUESTION_10>

We broadly agree with the concept of independence and oversight over ESG related disclosure. At Mackenzie Investments, for example, we have placed oversight accountability for ESG-related practices and disclosures outside of the Investment Management function to minimize any potential for conflict of interest in assessing and disclosing ESG-related practices.

However, we strongly disagree with any proposal that would require independent examination of disclosure documentation. Any such proposal would increase costs for firms and add greater regulatory burden without a clear, corresponding benefit. Notably, the securities law framework in Canada and in many countries globally does not require disclosure – including offering documentation for investment products – to be reviewed by an independent examiner. Compliance with all regulatory obligations, including disclosure-based obligations, generally remains a sole obligation of the issuer. To the extent that there are misrepresentations in disclosure, firms and issuers are liable under existing securities laws. This will help ensure that all disclosure, including ESG related disclosure, is accurate, true, and not misleading – alleviating any need for an independent review.

<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>

Further to our response to question 10, should the CFA Institute include as part of the Standard an independent review, we strongly encourage that such review be a recommended, best practice only. This will help reduce costs and regulatory burden on firms.

<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>

Further to our responses to questions 10 and 11, should the CFA Institute include as part of the Standard an independent review, to reduce costs and complexity, we believe the scope of the review should be limited to the fullest extent possible (i.e. disclosure relevant to the design of the product only). Securities law regulation in Canada, and similarly throughout the globe, will help ensure that firms are liable for any implementation in the product that is inconsistent with their disclosure.

<QUESTION_12>

Proposal for General Disclosure Requirements

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

<QUESTION_13>

Yes, we agree with the general disclosure requirements as proposed. We believe they will provide more clarity to investors on the intent of the corresponding ESG-related practices.

<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>

We would support alignment of an investment product's intent with policy goals such as the SDGs and believe it should be addressed in the general disclosure requirements. This would further simplify and create consistency for investors as they align their values to that of their investments.

<QUESTION_14>

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

<QUESTION_15>

Yes, the disclosure requirements should include an explanation of whether and how a product considers principal adverse impacts on sustainability factors as suggested. However, we believe that this should follow in future amendments to the disclosures to ensure priority is given to products that intend on using the ESG related features identified below. We also reiterate that existing regional securities regulation must always take precedent – any disclosure standard suggested by the CFA Institute must only apply to the extent that such disclosure does not conflict with existing securities and other regulatory requirements.

<QUESTION_15>

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

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

<QUESTION_16>

Yes, this term is now widely-used and commonly understood – it should be maintained going forward.

<QUESTION_16>

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

<QUESTION_17>

Yes, it is clear that material ESG-related factors are considered alongside traditional financial factors. This is also consistent with how we use the term at Mackenzie Investments.

<QUESTION_17>

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

<QUESTION_18>

Yes, we believe that it is clearly defined.

<QUESTION_18>

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

<QUESTION_19>

Yes, we agree and also believe this will improve the documentation completed by investment managers of their ESG integration practices. We do, however, suggest clarifying that the examples provided address both implementation and outcome of the integration practice to bolster disclosure. We also appreciate the inclusion of attribution analysis as this will ensure that these methods are prioritized as traditional analysis.

<QUESTION_19>

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

<QUESTION_20>

Yes, we agree with that “ESG-related Exclusions” is a clear and appropriate name for the feature. We suggest that the CFA Institute differentiate between firm-wide exclusions and product-specific exclusions. For example, at Mackenzie Investments, we exclude cluster munitions and anti-personnel landmines. Since this is applied to all investment products, it is not at the discretion of the investment manager and should be clearly stated in the disclosures.

<QUESTION_20>

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

<QUESTION_21>

We prefer to combine the “negative screening” and “norms-based screening” product-level exclusions into one bucket to minimize confusion. In our experience, investors do not differentiate between the two, and further, based on our research they consider norms-based screening as a negative screen.

<QUESTION_21>

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

<QUESTION_22>

Yes, we believe Feature (B) is clearly defined.

<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>

Yes, we agree with the issues to be addressed by the disclosure requirements specific to Feature (B).

<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>

We do not believe that Best-in-Class is an appropriate name and agree with the CFA Institute that it creates confusion for investors. We believe that Positive ESG or Positive ESG Performance Profile suggested by the CFA Institute are better terms to use.

<QUESTION_24>

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

<QUESTION_25>

Yes, we agree that Feature (C) is distinct enough and is differentiated from other features, particularly Features (D) and (E). It is also very commonly used, particularly in passive or quant-based investing.

<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>

Yes, we agree that Feature (C) is clearly defined.

<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>

Yes, we agree with the issues to be addressed by the disclosure requirements specific to Feature (C).

<QUESTION_27>

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

<QUESTION_28>

Yes, we believe ESG-related Thematic Focus is a clear an appropriate name for the feature. Alternatively, “ESG Thematic” may also be used as it is also clear and concise.

<QUESTION_28>

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

<QUESTION_29>

Yes, we agree that Feature (D) is distinct enough as it focuses on ESG macro-trends that have the potential to generate returns resulting from capital allocation.

<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>

Yes, Feature (D) is clearly defined.

<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>

Yes, we agree with the issues to be addressed by the disclosure requirements specific to Feature (D).

<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>

Yes, we believe that “Impact Objective” is a clear and appropriate name for the feature.

<QUESTION_32>

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

<QUESTION_33>

Yes, Feature (E) is clearly defined.

<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>

Yes, we agree with the issues to be addressed by the disclosure requirements specific to Feature (E). We also appreciate the prioritization of impact and investment objectives.

<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>

Yes, we agree that it is a clear and appropriate name, but to simplify and maintain consistency with some industry advocates and existing regulators, suggest condensing to "stewardship" or "active ownership".

<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>

We believe that "Proxy Voting, Engagement, and Stewardship" should be a distinct feature. We also believe that it has the greatest opportunity to impact positive change across investee companies.

<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>

Yes, we believe that Feature (F) is clearly defined.

<QUESTION_37>

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

<QUESTION_38>

Yes, we agree with the issues to be addressed by the disclosure requirements specific to Feature (F), and also suggest including the following: measurement of voting for / against management; voting for / against shareholder proposals; engagement themes addressed in the last year; and % of holdings engaged with.

<QUESTION_38>

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

<QUESTION_39>

Yes, we believe this is a comprehensive list that is consistent with our terminology.

<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, we believe that this list represents the spectrum of investor needs.

<QUESTION_40>

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

<QUESTION_41>

Yes, we believe they are clearly differentiated and mutually exclusive.

<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>

We agree with Table 3 and believe this will help to provide clarity to investors.

<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, we agree with the description of the user benefits as suggested by the CFA Institute.

<QUESTION_43>

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

<QUESTION_44>

Yes, we agree with the terms used.

<QUESTION_44>

General Comments: Please enter general comments below.

<GENERAL_COMMENTS>

We are very excited and impressed by the thoroughness of this proposal. As we develop our internal ESG capabilities, the disclosure practices outlined in the Standard will be incredibly helpful to our organization, and importantly, to our clients. We believe this proposal will help standardize disclosure and lead to greater transparency and consistency of ESG Related issues across the globe.

In developing and eventually implementing the standard, we strongly encourage the CFA Institute to consider all transition implications to ensure firms have sufficient time to comply with the Standard. We also encourage the CFA Institute to align, to the extent possible, disclosures with PRI reporting to help streamline the process.

Finally, the CFA Institute must be mindful of existing securities regulatory requirements that mandate both the type and form of disclosure for investment products such as investment funds. Existing regional securities regulation must always take precedent – any disclosure standard suggested by the CFA Institute must only be voluntary and apply to the extent that such disclosure does not conflict with existing securities and other regulatory requirements.

<GENERAL_COMMENTS>