

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>	Neil Scarth
Stakeholder Group: <i>(Please select the stakeholder group with which you most closely identify.)</i>	Consultant or Advisor
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>	UK
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>
ENTER RESPONSE HERE
<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>
ENTER RESPONSE HERE
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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>
ENTER RESPONSE HERE
<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>
ENTER RESPONSE HERE
<QUESTION_01_04>

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

<QUESTION_01_05>
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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?

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ENTER RESPONSE HERE
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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>
ENTER RESPONSE HERE
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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?

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

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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?

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2. Would a compliant presentation help facilitate client discussions regarding ESG-related needs and preferences and suitable investment products?

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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?

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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?

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<QUESTION_03_04>

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

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Questions for Database Providers and Users

1. To what extent would a compliant presentation provide the ESG-related information that users are looking for?

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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?

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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>
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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?

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

<QUESTION_05_03>
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4. Would the Standards be helpful in providing investor protection through product transparency?

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

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GENERAL PRINCIPLES FOR INVESTMENT PRODUCT DISCLOSURES

General comments on the Principles:

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Comments on Principle #1:

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Comments on Principle #2:

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Comments on Principle #3:

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Comments on Principle #4:

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Comments on Principle #5:

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SECTION 1: FUNDAMENTAL REQUIREMENTS AND RECOMMENDATIONS

General comments on Section 1:

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Comments on Provision 1.B.2:

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SECTION 2: GENERAL INFORMATION

General comments on Section 2:

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SECTION 3: OBJECTIVES

General comments on Section 3:

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Comments on Provision 3.B.1:

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SECTION 4: BENCHMARKS

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Comments on Provision 4.A.3:

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SECTION 5: SOURCES AND TYPES OF ESG INFORMATION

General comments on Section 5:

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Comments on Provision 5.A.2:

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SECTION 6: ESG EXCLUSIONS

General comments on Section 6:

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Comments on Provision 6.A.4:

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SECTION 7: ESG INFORMATION IN FINANCIAL ANALYSIS AND VALUATION

General comments on Section 7:

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Comments on Provision 7.A.1:

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With regard to the notes on 7.A.1 (as follows)

In addition to stating that the rationale for using financially material ESG information is to make better investment decisions, investment managers are encouraged to be specific about the value and importance that financially material ESG information has in the overall context of the investment product's strategy.

We believe that this should be consistent with recommendations made by CFA Institute (along with the Council of Institutional Investors and Healthy Markets) to the SEC, which calls for ex-ante fund level research budgets and controls on the cross-subsidization of other investment products as per this letter: <https://www.sec.gov/comments/s7-09-20/s70920-7998614-225227.pdf> for managers using client money for research.

In our view, ESG inputs are just another form of research, and, if purchased using client money under 28 (e), should be subject to the same requirements.

To the degree that ESG considerations are increasingly used in a wide variety of fund products, ESG costs should, and can be attributed at the fund level. Many of these may be central ESG costs, such as databases, which are used by many fund products. Asset owners should make a proportional contribution to those costs, based on the importance of that ESG input to the product as a whole. The proportional use of these inputs between funds may vary widely. Consider an ESG or specialist impact fund versus a generalist "growth" fund that only seeks to incorporate ESG variables to assess stock-specific risk.

If managers are able to judge and comment on the relative importance of ESG inputs in a specific investment fund product, they should be able to ascribe costs accordingly. Otherwise, the risk of fund cross-subsidization increases.

This assumes that the CFA Institute does not view ESG inputs as some sort of special class in which the wider research considerations would not apply.

FYI, I have had a detailed discussion about this with Chris Fidler, which covered the interaction between fundamental and ESG research.

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Comments on Provision 7.A.2:

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Comments on Provision 7.A.3:

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Comments on Provision 7.A.4:

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SECTION 8: PORTFOLIO-LEVEL ESG CRITERIA AND CHARACTERISTICS

General comments on Section 8:

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Comments on Provision 8.B.1:

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SECTION 9: PROCESS TO ACHIEVE IMPACT OBJECTIVE

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Comments on Provision 9.B.1:

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SECTION 10: STEWARDSHIP

General comments on Section 10:

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GLOSSARY

General comments on Glossary:

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Comments on **COMPLIANT PRESENTATION**:

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Comments on **ESG INFORMATION**:

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Comments on **ESG ISSUE**:

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Comments on **EXCLUSION**:

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Comments on **FINANCIAL OBJECTIVE**:

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Comments on **IMPACT OBJECTIVE**:

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Comments on **STEWARDSHIP ACTIVITY:**

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GENERAL COMMENTS

General comments on Exposure Draft:

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