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 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.)*	Sustainability Accounting Standards Board (SASB)
Stakeholder Group: *(Please select the stakeholder group with which you most closely identify.)*	Service Provider
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.)*	Global
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.)*	United States of America
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>

ENTER RESPONSE HERE

<QUESTION_01>

Terminology

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

<QUESTION_02>

ENTER RESPONSE HERE

<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>

We appreciate the inclusion of SASB and other disclosure frameworks and standards for consideration within the development of the Standards. GRI, SASB, CDP and CDSB set the frameworks and standards for sustainability disclosure, along with the TCFD recommendations (focused climate-related reporting), along with the IIRC which provides the integrated reporting framework that connects sustainability disclosure to reporting on financial and other capitals.. Taken together, these organization guide the overwhelming majority of quantitative and qualitative sustainability disclosures by companies around the world. Recently, we have also made a commitment to building joint market guidance on how our frameworks and standards can be applied in a complementary and additive way[1]. We feel this will further support your efforts in regards to ESG Disclosure Standards for Investment Products.

<QUESTION_03>

[1] Statement of Intent to Work Together Towards Comprehensive Corporate Reporting. September 2020. https://29kjwb3armds2g3gi4lq2sx1-wpengine.netdna-ssl.com/wp-content/uploads/Statement-of-Intent-to-Work-Together-Towards-Comprehensive-Corporate-Reporting.pdf

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>

ENTER RESPONSE HERE

<QUESTION_04>

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

<QUESTION_05>

ENTER RESPONSE HERE

<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>

ENTER RESPONSE HERE

<QUESTION_06>

Design Principles

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

<QUESTION_07>

ENTER RESPONSE HERE

<QUESTION_07>

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

<QUESTION_08>

ENTER RESPONSE HERE

<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>

ENTER RESPONSE HERE

<QUESTION_09>

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

<QUESTION_10>

ENTER RESPONSE HERE

<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>

ENTER RESPONSE HERE

<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>

ENTER RESPONSE HERE

<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>

We agree with the scope of the disclosure requirements. We would recommend for consideration of the following to improve the scope, clarity, and quality of disclosure:

1) **Identification of standards/frameworks (e.g. CDP, GRI, SASB) used to report on the ESG features of the product and the ESG data points provided.** Large investment managers, regardless of their

location, manage investment products that include global portfolios, public and private assets, and large, medium, and small cap companies. Globally accepted sustainability disclosure standards such as SASB set a system of metrics (quantitative and/or qualitative) accompanied by technical protocols that provides guidance on definitions, scope, implementation, compilation, and presentation to support reporting by enterprises, no matter their location or size. These consistent accounting methods ensures reporting of consistent, comparable, and reliable information on performance on key sustainability factors (which also constitute suitable criteria for third-party assurance).

Product performance can be influenced by not only the investment thesis, but also the data used for decision-making. Transparency around how product developers determine what type of ESG data to use can help users understand a key input to an investment product. If product developers identify their framework for identifying useful ESG data (i.e. proprietary; based on a third-party standards-setter like CDP, GRI, SASB, SDGs, etc.; based on a third party data or ratings provider like Bloomberg, ISS ESG, MSCI, Refinitiv, Sustainalytics, Vigeo Eiris, etc.; or other), product users can benefit from a clear and consistent way to evaluate one of the key inputs to an investment product and more easily compare options for investment products.

<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>

ENTER RESPONSE HERE <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>

Per SASB's response to the Sustainable Finance Disclosure Regulation, we support the objectives of the regulation to improve the disclosures to investors regarding financial products. Providing guidance on how investment products consider principle adverse impacts would be useful, particularly if such guidance enables investment managers to consider the financial materiality of the ESG factor to a company's business and also promotes reporting in an industry-specific manner, as the same sustainability issue can manifest differently across industries. Having such guidance may also provide a cost-effective way for companies to disclose decision-useful information to investors and other providers of capital.

<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>

ENTER RESPONSE HERE

<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>

ENTER RESPONSE HERE

<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>

ENTER RESPONSE HERE

<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>

ENTER RESPONSE HERE

<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>

ENTER RESPONSE HERE

<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>

ENTER RESPONSE HERE

<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>

ENTER RESPONSE HERE

<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>

ENTER RESPONSE HERE

<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>

ENTER RESPONSE HERE

<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>

ENTER RESPONSE HERE

<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>

ENTER RESPONSE HERE

<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>

ENTER RESPONSE HERE

<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>

ENTER RESPONSE HERE

<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>

ENTER RESPONSE HERE

<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>

ENTER RESPONSE HERE

<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>

ENTER RESPONSE HERE

<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>

ENTER RESPONSE HERE

<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>

ENTER RESPONSE HERE

<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>

ENTER RESPONSE HERE

<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>

ENTER RESPONSE HERE

<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>

ENTER RESPONSE HERE

<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>

ENTER RESPONSE HERE

<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>

ENTER RESPONSE HERE

<QUESTION_38>

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

<QUESTION_39>

ENTER RESPONSE HERE

<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>

ENTER RESPONSE HERE

<QUESTION_40>

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

<QUESTION_41>

ENTER RESPONSE HERE

<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>

ENTER RESPONSE HERE

<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>

ENTER RESPONSE HERE

<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>

ENTER RESPONSE HERE

<QUESTION_44>

General Comments: Please enter general comments below.

<GENERAL_COMMENTS>

Thank you for the opportunity to respond to the consultation. As the CFA Institute seeks to establish ESG Disclosure Standards for Investment Products, it must be recognized that the foundational element is high quality ESG data. Unfortunately, the current industry practice of scraping data from unstructured text is not the best practice and is prone to error. As you already support XBRL for financial

disclosure[1], it would be valuable for the CFA Institute to promote the adoption of XBRL based structured reporting for ESG data as well. We expect that producing SASB-aligned disclosures in structured XBRL format will allow for easier collection, rigorous assurance, and comprehensive analysis of non-financial data - an important component to the ESG Disclosure Standards for Investment Products.

Over the next few months, SASB will be working with PwC to convert our 77 Standards into an XBRL taxonomy with the goal of accelerating the availability of high quality and comparable ESG data for investors..

About SASB

The Sustainability Accounting Standards Board (SASB) is an independent non-profit organization that connects businesses and investors on the financial impacts of sustainability. SASB Standards enable businesses around the world to identify, manage, and communicate the environmental, social, and governance (ESG) factors that are reasonably likely to affect a company's financial performance. SASB Standards are industry-specific and are designed to be decision-useful for investors and cost-effective for companies. SASB's rigorous and transparent standard-setting process includes evidence-based research, broad and balanced participation from companies, investors, and subject matter experts, and oversight and approval from an independent Standards Board.

Leading global investors—including Norges Bank Investment Management, BlackRock, State Street Global Advisors, Canada Pension Plan Investments, UBS, Allianz Global Investors, and Fidelity Investments—support SASB Standards as a fundamental way for companies to communicate financially material sustainability information to investors. More than 200 investment and analytics organizations, across 25 countries, representing more than $49 trillion in assets under management, now participate in SASB's Investor Advisory Group, SASB's membership program, and/or license the standards for use in investment processes[2].

Using SASB Standards, companies can report comparable metrics on key sustainability issues to investors, enabling both companies and investors to benchmark performance against peers and identify industry leaders and laggards. Such transparency can lead to a "race to the top" as companies "stretch" performance targets and investors allocate capital toward companies that lead the industry on these and other issues.

If you have further questions or comments, please do not hesitate to contact us at info@sasb.org.

<GENERAL_COMMENTS>

[1] https://www.cfainstitute.org/en/advocacy/issues/reporting-technology-incl-XBRL

[2] https://www.sasb.org/global-use/