

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>	Swiss Sustainable finance
Stakeholder Group: <i>(Please select the stakeholder group with which you most closely identify.)</i>	Investment Professional
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>	Switzerland
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>

NA for SSF

<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>

NA for SSF

<QUESTION_01_02>

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>

NA for SSF

<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>

NA for SSF

<QUESTION_01_04>

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

<QUESTION_01_05>

NA for SSF

<QUESTION_01_05>

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?

<QUESTION_02_01>

NA for SSF

<QUESTION_02_01>

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>

NA for SSF

<QUESTION_02_02>

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?

<QUESTION_02_03>

NA for SSF

<QUESTION_02_03>

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

<QUESTION_02_04>

NA for SSF

<QUESTION_02_04>

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?

<QUESTION_03_01>

NA for SSF

<QUESTION_03_01>

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

<QUESTION_03_02>

NA for SSF

<QUESTION_03_02>

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?

<QUESTION_03_03>

NA for SSF

<QUESTION_03_03>

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?

<QUESTION_03_04>

NA for SSF

<QUESTION_03_04>

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

<QUESTION_03_05>

NA for SSF

<QUESTION_03_05>

Questions for Database Providers and Users

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

<QUESTION_04_01>

NA for SSF

<QUESTION_04_01>

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?

<QUESTION_04_02>

NA for SSF

<QUESTION_04_02>

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>

Swiss Sustainable Finance has chosen to answer the general questions under the category of "investment professionals".

With regard to ESG characteristics in section 8.A.1, these are defined extremely broadly with limited examples or reference to other documents that could provide meaningful examples. We believe more and more investors are likely most interested in this data in order to compare and make decisions on investments, which we feel did not receive adequate consideration within the standards.

<QUESTION_05_01>

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?

<QUESTION_05_02>

SSF would have liked to see the recommended requirements in section 10.B.1 be listed as a requirement. We see transparency around voting and engagement outcomes as critical for investors to gain an understanding of how their investment manager considers ESG in their stewardship activities. This obviously also is linked to identifying impacts that are linked to the investment portfolio.

<QUESTION_05_02>

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

<QUESTION_05_03>

Yes we feel following such standards can potentially help market players maintain a commitment to professional ethics and integrity. This is obviously more so the case for audited disclosure statements. We see the standards however as mainly addressing the topic of transparency and easier comparability.

<QUESTION_05_03>

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

<QUESTION_05_04>

We are not sure as to how far such standards can provide investor protection. As the disclosures between different companies can vary greatly due to the broad nature of the ESG space, it will be difficult to compare one disclosure statement to the next. For clients it will remain difficult to compare the depth and breadth of the sustainable investment process applied to a product. The issue of comparability, can only be truly solved once standardized KPIs are defined, accepted

and reported by product providers, and clients do not have to rely solely on reporting on a process level.

We also see that these standards likely are not very targeted towards retail clients, which is the segment in need of the most protection. Therefore they only indirectly help advance retail investor protection.

<QUESTION_05_04>

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>

We fear that some of the simplifications made during the first consultation process may hinder investors from aligning ESG objectives to a suitable product. Having grouped many of the currently accepted sustainable investment approaches into one category (namely chapter 8 – portfolio-level ESG Criteria and Characteristics), we see an initial hurdle to first re-educate investors on the characteristics and effects of the traditionally accepted approaches, such as best-in-class and thematic investments.

<QUESTION_05_05>

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

<QUESTION_05_06>

Yes, the standards could serve as a good basis for discussions around a transparency/disclosure label. However, they are not conducive to establishing what we refer to as an ESG or green label, as for those, specific KPIs must be defined and reported in order for a label to be rewarded. We feel that for the moment, there is not yet comparably data that lends itself to the development of a label.

<QUESTION_05_06>

GENERAL PRINCIPLES FOR INVESTMENT PRODUCT DISCLOSURES

General comments on the Principles:

<COMMENT_00_00>

No general comments

<COMMENT_00_00>

Comments on Principle #1:

<COMMENT_00_01>

No comment

<COMMENT_00_01>

Comments on Principle #2:

<COMMENT_00_02>
No comment
<COMMENT_00_02>

Comments on Principle #3:

<COMMENT_00_03>
No comment
<COMMENT_00_03>

Comments on Principle #4:

<COMMENT_00_04>
No comment
<COMMENT_00_04>

Comments on Principle #5:

<COMMENT_00_05>
No comment
<COMMENT_00_05>

SECTION 1: FUNDAMENTAL REQUIREMENTS AND RECOMMENDATIONS

General comments on Section 1:

<COMMENT_01A00>
No comment for section 1
<COMMENT_01A00>

Comments on Provision 1.A.1:

<COMMENT_01A01>
ENTER RESPONSE HERE
<COMMENT_01A01>

Comments on Provision 1.A.2:

<COMMENT_01A02>
ENTER RESPONSE HERE
<COMMENT_01A02>

Comments on Provision 1.A.3:

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<COMMENT_01A03>

Comments on Provision 1.A.4:

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Comments on Provision 1.A.5:

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Comments on Provision 1.A.6:

<COMMENT_01A06>
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Comments on Provision 1.A.7:

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<COMMENT_01A07>

Comments on Provision 1.A.8:

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Comments on Provision 1.A.9:

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Comments on Provision 1.A.10:

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Comments on Provision 1.A.11:

<COMMENT_01A11>
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<COMMENT_01A11>

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Comments on Provision 1.A.14:

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Comments on Provision 1.B.1:

<COMMENT_01B01>
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<COMMENT_01B01>

Comments on Provision 1.B.2:

<COMMENT_01B02>
ENTER RESPONSE HERE
<COMMENT_01B02>

SECTION 2: GENERAL INFORMATION

General comments on Section 2:

<COMMENT_02A00>
No comment for section 2
<COMMENT_02A00>

Comments on Provision 2.A.1:

<COMMENT_02A01>
ENTER RESPONSE HERE
<COMMENT_02A01>

Comments on Provision 2.A.2:

<COMMENT_02A02>
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Comments on Provision 2.A.3:

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Comments on Provision 2.A.4:

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Comments on Provision 2.A.5:

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<COMMENT_02A05>

Comments on Provision 2.A.6:

<COMMENT_02A06>
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<COMMENT_02A06>

Comments on Provision 2.A.7:

<COMMENT_02A07>
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<COMMENT_02A07>

Comments on Provision 2.A.8:

<COMMENT_02A08>
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<COMMENT_02A08>

Comments on Provision 2.B.1:

<COMMENT_02B01>
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<COMMENT_02B01>

SECTION 3: OBJECTIVES

General comments on Section 3:

<COMMENT_03A00>
ENTER RESPONSE HERE
<COMMENT_03A00>

Comments on Provision 3.A.1:

<COMMENT_03A01>

We question if the definition of impact is precise enough: it is defined as “an intention to make a specific, positive, measurable contribution to an environmental or social issue.” The questions raised are:

- What is a contribution? Is capital allocation on secondary markets a “contribution”?
 - Do you relate to “investor impact” or “company impact”? The impact an investor has on a company through engagement activities is on a different level than the impact an investor has if they invest in a company that sells products that positively contribute to real-world issues. Extensive work has been done on this within the academic community here in Switzerland. You can find more on this topic in this paper: https://www.csp.uzh.ch/dam/jcr:ab4d648c-92cd-4b6d-8fc8-5bc527b0c4d9/CSP_Investors%20Guide%20to%20Impact_21_10_2020_spreads.pdf
 - Can an asset manager that invests in thematic or low carbon stocks claim to have impact if the underlying stocks have lower carbon emissions than others?
- <COMMENT_03A01>

Comments on Provision 3.A.2:

<COMMENT_03A02>

We very much welcome that “trade-offs” are addressed within the standard. However, we acknowledge that identifying all trade-offs that may occur is quite a complex task, and providers will likely find this particular point difficult to implement in first rounds of use of the standard.

<COMMENT_03A02>

Comments on Provision 3.B.1:

<COMMENT_03B01>
ENTER RESPONSE HERE
<COMMENT_03B01>

SECTION 4: BENCHMARKS

General comments on Section 4:

<COMMENT_04A00>
ENTER RESPONSE HERE
<COMMENT_04A00>

Comments on Provision 4.A.1:

<COMMENT_04A01>
We refer to the sentence: “In the case of a readily recognized benchmark, the name of the benchmark will satisfy this requirement. Each investment manager must decide for itself whether a benchmark is readily recognized”. This perhaps leaves too much open to interpretation and should be removed, or a list of readily recognized benchmarks should be provided.
<COMMENT_04A01>

Comments on Provision 4.A.2:

<COMMENT_04A02>
ENTER RESPONSE HERE
<COMMENT_04A02>

Comments on Provision 4.A.3:

<COMMENT_04A03>
ENTER RESPONSE HERE
<COMMENT_04A03>

SECTION 5: SOURCES AND TYPES OF ESG INFORMATION

General comments on Section 5:

<COMMENT_05A00>
ENTER RESPONSE HERE
<COMMENT_05A00>

Comments on Provision 5.A.1:

<COMMENT_05A01>
We refer to the statement: "...it is sufficient to state that the ESG information comes from an ESG data provider." We question if this is sufficient information for an investor to fully consider the suitability of the product to their needs and instead think it should be a requirement to name the data provider(s). We often hear from institutional investors that they, in particular have preferences when it comes to data providers, with respect to similar views on ESG, therefore omitting this information does not allow for a proper suitability analysis.
<COMMENT_05A01>

Comments on Provision 5.A.2:

<COMMENT_05A02>
We refer to the phrase: "When an investment manager obtains ESG information from an ESG data provider, the investment manager may choose, but is not required, to describe the steps the ESG data provider takes to verify the data it provides." While we agree that the investment manager does not need to fully describe this process, we feel they should provide information on where to find this information within the documents of the ESG data provider. Investment Managers should clearly explain how they use the raw data, how many sources are used and how they build their own rating (i.e. copy paste or transformation).
<COMMENT_05A02>

SECTION 6: ESG EXCLUSIONS

General comments on Section 6:

<COMMENT_06A00>
ENTER RESPONSE HERE
<COMMENT_06A00>

Comments on Provision 6.A.1:

<COMMENT_06A01>
ENTER RESPONSE HERE
<COMMENT_06A01>

Comments on Provision 6.A.2:

<COMMENT_06A02>
ENTER RESPONSE HERE
<COMMENT_06A02>

Comments on Provision 6.A.3:

<COMMENT_06A03>
ENTER RESPONSE HERE
<COMMENT_06A03>

Comments on Provision 6.A.4:

<COMMENT_06A04>
ENTER RESPONSE HERE
<COMMENT_06A04>

SECTION 7: ESG INFORMATION IN FINANCIAL ANALYSIS AND VALUATION

General comments on Section 7:

<COMMENT_07A00>
ENTER RESPONSE HERE
<COMMENT_07A00>

Comments on Provision 7.A.1:

<COMMENT_07A01>
ENTER RESPONSE HERE
<COMMENT_07A01>

Comments on Provision 7.A.2:

<COMMENT_07A02>
ENTER RESPONSE HERE
<COMMENT_07A02>

Comments on Provision 7.A.3:

<COMMENT_07A03>
ENTER RESPONSE HERE
<COMMENT_07A03>

Comments on Provision 7.A.4:

<COMMENT_07A04>
ENTER RESPONSE HERE
<COMMENT_07A04>

SECTION 8: PORTFOLIO-LEVEL ESG CRITERIA AND CHARACTERISTICS

General comments on Section 8:

<COMMENT_08A00>

We find the description of this section rather confusing. They relate to approaches such as best-in-class, positive tilt and thematic. But then the standards only require a description of the underlying criteria. Does this mean that one has to describe all criteria used in a best-in-class rating (i.e. a rating that is based on hundreds of ESG data points to compare different companies)? And provide indicators on a portfolio level? We feel this may end up becoming a fundamental problem of this standard. With respect to proprietary ratings developed and used by asset managers, such criteria do not necessarily have a threshold but rather a score and a corresponding weight. The threshold is defined on the level of a rating or a rating average for the portfolio. Therefore, we find this section hard to interpret to cover, for instance, a best-in-class fund.

Additionally, for the moment Institutional asset owners would benefit from a better categorisation of such sustainable investments, rather than leaving it so broad. Those used here are so general, that especially asset owners will find it difficult to be able to compare products considering (at least in Switzerland) they are accustomed to evaluating investments based on the 8 commonly accepted approaches defined by most markets (See SSF Market Study 2021)

<https://marketstudy2021.sustainablefinance.ch/>

<COMMENT_08A00>

Comments on Provision 8.A.1:

<COMMENT_08A01>

ENTER RESPONSE HERE

<COMMENT_08A01>

Comments on Provision 8.A.2:

<COMMENT_08A02>

ENTER RESPONSE HERE

<COMMENT_08A02>

Comments on Provision 8.B.1:

<COMMENT_08B01>

ENTER RESPONSE HERE

<COMMENT_08B01>

SECTION 9: PROCESS TO ACHIEVE IMPACT OBJECTIVE

General comments on Section 9:

<COMMENT_09A00>

Referring to this section, we feel that a last step is missing in the process. The investment manager should be required to publish whether or not the impact objective was reached and/or progress made. Based on point 9.B.1, we interpret that this is not a requirement.

<COMMENT_09A00>

Comments on Provision 9.A.1:

<COMMENT_09A01>

ENTER RESPONSE HERE

<COMMENT_09A01>

Comments on Provision 9.A.2:

<COMMENT_09A02>

ENTER RESPONSE HERE

<COMMENT_09A02>

Comments on Provision 9.A.3:

<COMMENT_09A03>

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<COMMENT_09A03>

Comments on Provision 9.A.4:

<COMMENT_09A04>

ENTER RESPONSE HERE

<COMMENT_09A04>

Comments on Provision 9.A.5:

<COMMENT_09A05>

ENTER RESPONSE HERE

<COMMENT_09A05>

Comments on Provision 9.B.1:

<COMMENT_09B01>

See general comments to section 9

<COMMENT_09B01>

SECTION 10: STEWARDSHIP

General comments on Section 10:

<COMMENT_10A00>

Referring to this section, we feel that a last step is missing in the process. The investment manager should be required to publish actions and progress on stewardship. Based on point 10.B.1, we interpret that this is not a requirement.

<COMMENT_10A00>

Comments on Provision 10.A.1:

<COMMENT_10A01>

ENTER RESPONSE HERE

<COMMENT_10A01>

Comments on Provision 10.A.2:

<COMMENT_10A02>

ENTER RESPONSE HERE

<COMMENT_10A02>

Comments on Provision 10.A.3:

<COMMENT_10A03>

ENTER RESPONSE HERE

<COMMENT_10A03>

Comments on Provision 10.A.4:

<COMMENT_10A04>

ENTER RESPONSE HERE

<COMMENT_10A04>

Comments on Provision 10.B.1:

<COMMENT_10B01>

See general comments to section 10

<COMMENT_10B01>

GLOSSARY

General comments on Glossary:

<COMMENT_11A00>
ENTER RESPONSE HERE
<COMMENT_11A00>

Comments on **BENCHMARK**:

<COMMENT_11A01>
ENTER RESPONSE HERE
<COMMENT_11A01>

Comments on **COMPLIANT PRESENTATION**:

<COMMENT_11A02>
ENTER RESPONSE HERE
<COMMENT_11A02>

Comments on **ESG INFORMATION**:

<COMMENT_11A03>
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<COMMENT_11A03>

Comments on **ESG ISSUE**:

<COMMENT_11A04>
ENTER RESPONSE HERE
<COMMENT_11A04>

Comments on **EXCLUSION**:

<COMMENT_11A05>
ENTER RESPONSE HERE
<COMMENT_11A05>

Comments on **FINANCIAL OBJECTIVE**:

<COMMENT_11A06>
ENTER RESPONSE HERE
<COMMENT_11A06>

Comments on **IMPACT OBJECTIVE**:

<COMMENT_11A07>

We question if the definition of impact is precise enough: it is defined as “an intention to make a specific, positive, measurable contribution to an environmental or social issue.” The questions raised are:

- What is a contribution? Is capital allocation on secondary markets a “contribution”?
- Do you relate to “investor impact” or “company impact”? The impact an investor has on a company through engagement activities is on a different level than the impact an investor has if they invest in a company that sells products that positively contribute to real-world issues. Extensive work has been done on this within the academic community here in Switzerland. You can find more on this topic in this paper: https://www.csp.uzh.ch/dam/jcr:ab4d648c-92cd-4b6d-8fc8-5bc527b0c4d9/CSP_Investors%20Guide%20to%20Impact_21_10_2020_spreads.pdf

Can an asset manager that invests in thematic or low carbon stocks claim to have impact if the underlying stocks have lower carbon emissions than others?
<COMMENT_11A07>

Comments on **INVESTMENT MANAGER**:

<COMMENT_11A08>
ENTER RESPONSE HERE
<COMMENT_11A08>

Comments on **INVESTMENT PRODUCT**:

<COMMENT_11A09>
ENTER RESPONSE HERE
<COMMENT_11A09>

Comments on **INVESTOR**:

<COMMENT_11A10>
ENTER RESPONSE HERE
<COMMENT_11A10>

Comments on **STEWARDSHIP**:

<COMMENT_11A11>
We question if the two following actions listed within your definition can be seen as a stewardship action in a sustainable investment context:

- exercise of warrants or embedded options,
- lending of securities,

We feel the term stewardship is watered down by adding these actions to the definition. In our view, such activities could potentially hinder effective stewardship activities and/or change the overall sustainability profile of the fund.
<COMMENT_11A11>

Comments on **STEWARDSHIP ACTIVITY**:

<COMMENT_11A12>
ENTER RESPONSE HERE
<COMMENT_11A12>

GENERAL COMMENTS

General comments on Exposure Draft:

<COMMENT_12A00>
ENTER RESPONSE HERE
<COMMENT_12A00>