

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>	Vivien Teu
Stakeholder Group: <i>(Please select the stakeholder group with which you most closely identify.)</i>	Service Provider
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>	Asia-Pacific
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>	Hong Kong SAR
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>

Addressing this question as a legal advisor advising or assisting investment managers on product disclosures, the draft provisions are helpful on the types of and expected standards of disclosures that should be included on the various ESG-related aspects of investment product's strategy, from the objectives, to use of ESG data, financial analysis and stewardship. Investment managers may often be unsure, and hence adopt different and inconsistent approaches, on the scope or extent of disclosures that should be included. The draft provisions would support investment managers in taking the same or similar approach on the range and level of information that should be included, which aid transparency, consistency and comparability. CFA and the ESG Technical Working Group should be applauded for this outstanding draft that seeks and accomplishes such objectives. Potential adoption of the provisions more widely would support establishing high standard of disclosures in the industry on ESG investment products, build trust and credibility that combats concerns on green or ESG washing.

<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>

The draft is issued with an insightful overview of existing standards, laws and regulations currently known or issued that may be relevant, but identified only a handful that specifically relates to ESG product disclosures, including the EU Sustainable Finance Disclosure Resolution. However, while the SFDR sets expected disclosure requirements, it does not contain details or guidance on what or how disclosure requirements should be met (perhaps due to pending technical standards). EU investment managers that have included updated product disclosures for Art 8 or Art 9 investment funds are taking different approaches on scope and level of disclosures. Therefore, the draft provisions should be of value to support and guide disclosures to aid and not hinder compliance with the disclosure requirements under local laws and regulations. It is also note-worthy that the draft provisions guide the areas of expected disclosures but are not prescriptive, and should thus be flexible in supporting different disclosures required according to laws and regulations such as under SFDR that aligns with EU Taxonomy Regulation.

One comment / suggestion is for the draft provisions to also include some guidance or clarification on how investment managers may meet the requirement of SFDR to explain where financial market participants deem sustainability risks not to be relevant, and the reasons that may support such a view. In the context of growing market expectation for management of

sustainability risks, it may be increasingly part of fiduciary duty of managers to take into account sustainability risks. In providing some guidance to managers on this point, CFA may establish or clarify what is the expected standard of managers in addressing sustainability risks, on the one hand, and on the other hand, articulate or guide managers on what are the acceptable circumstances or reasons where sustainability risks may be considered not to be relevant.

<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?

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<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>

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<QUESTION_01_04>

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

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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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<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>
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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?

<QUESTION_02_04>
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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?

<QUESTION_03_03>
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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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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?

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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?

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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?

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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 #5:

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SECTION 1: FUNDAMENTAL REQUIREMENTS AND RECOMMENDATIONS

General comments on Section 1:

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Comments on Provision 1.A.9:

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As the Provisions / CFA ESG Disclosure Standards are proposed to be voluntary for investment managers to adopt, the requirement for the compliance notification filing to CFA may be difficult to administer or enforce in practice, and this requirement may also potentially hinder adoption due to uncertainty on the effect or implications for such compliance notification. If there is wide adoption, this may potentially involve a high volume of filings. CFA may wish to re-consider and make this a recommendation instead of a requirement, that encourages but not mandates filing for engagement with CFA.
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SECTION 2: GENERAL INFORMATION

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SECTION 3: OBJECTIVES

General comments on Section 3:

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SECTION 4: BENCHMARKS

General comments on Section 4:

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SECTION 5: SOURCES AND TYPES OF ESG INFORMATION

General comments on Section 5:

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SECTION 6: ESG EXCLUSIONS

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SECTION 7: ESG INFORMATION IN FINANCIAL ANALYSIS AND VALUATION

General comments on Section 7:

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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

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GLOSSARY

General comments on Glossary:

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Comments on **BENCHMARK**:

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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 **INVESTMENT MANAGER**:

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Comments on **STEWARDSHIP ACTIVITY**:

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GENERAL COMMENTS

General comments on Exposure Draft:

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