

**Response Form for the
Exposure Draft of the
Verification Procedures for the
CFA Institute ESG Disclosure Standards
for Investment Products and
Verifier Independence Guidelines**

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 Verification Procedures for the CFA Institute ESG Disclosure Standards for Investment Products (the “Verification Procedures”) provide verifiers with a minimum set of procedures required to provide limited assurance on an investment product’s compliant presentation. The Exposure Draft also provides guidelines on verifier independence. The goal for this Exposure Draft is to elicit feedback on the proposed requirements within the Verification Procedures and Verifier Independence Guidelines. Please refer to the “Providing Feedback” guidelines for submitting comments. **All comments must be received by 21 September 2021 in order to be considered.**

Providing Feedback

Public commentary on the Exposure Draft will help shape the final version of the Verification Procedures and Verifier Independence Guidelines. Comments should be provided in this Response Form, found [here](#) on the CFA Institute website, and submitted to standards@cfainstitute.org.

The deadline for providing feedback is 21 September 2021. **Comments received after 21 September 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 21 September 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>	Cascade Investment Compliance and Verification
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>	North America
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>	United States of America
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

1. Do you agree that the minimum period for which a verification may be conducted should be one year?

<QUESTION_01>

Yes. The minimum period of 1 year is sufficient

<QUESTION_01>

2. Are there any other attributes that a verifier should have in order to be qualified?

<QUESTION_02>

We believe the list to be comprehensive and do not have any other comments.

<QUESTION_02>

3. Do you agree with the testing procedures? If not, please tell us which testing procedures you disagree with as well as the testing procedures you would recommend. Also, are there other areas of testing that should be added?

<QUESTION_03>

. We recommend defining the term “period” for the ESG Standards. In the sample selection section, first paragraph, bullet point #4, “Number of periods being verified” is noted. How is a verifier supposed to determine the number of periods if it is not defined? We believe the intent is to define a single period as 1 year or since inception if the investment product has been existence for less than 1 year. However, a verifier could also interpret a single period as being the 10 years for the first engagement.

Page 9, Item 7: The last sentence should include pooled funds, “Verifiers must review a sample of pooled fund or account holdings reports to determine that they do not include securities that are excluded based on exclusion criteria.”

Page 12, Item 10, Example 2, testing procedures: The testing procedures do not address how a verifier may test the Fund sector weights to the benchmark. Suggest adding another bullet point. For example: “Obtain support showing the benchmark sector weights and compare them to the Fund sector weights.”

Page 12, Item 10, Example 3, testing procedures: The testing procedures do not address how a verifier may test the Fund against the benchmark. Suggest added another bullet pint. For example, “Obtain support that demonstrates the portfolio level criteria meets the percentage threshold against the benchmark.”

Page 15, Item 13a: In Provision 4.A.1 of the ESG Standards, it states that for a well-known benchmark, it is acceptable for a Firm to use only the name. Suggest changing this item to, “The description of each benchmark is properly stated, if the benchmark is not a readily recognized index.”

<QUESTION_03>

4. Are the examples of what is and what is not a material change to ESG-related features helpful? If you do not believe they are helpful, do you have suggested examples that should be included?

<QUESTION_04>

We do believe the examples provided are helpful. In the testing procedures section, it would be helpful to include an example of how a verifier might test a material change to an investment product's compliant presentation for a grouping of portfolios. For example, "Review supporting legal documents and investment guidelines to determine if the material change was applied consistently to the grouping of portfolios." We anticipate that additional testing would need to be completed for a grouping of portfolios versus a Fund.

<QUESTION_04>

5. Do you believe that it is appropriate for the compliant presentation to include information that is not subject to the verification? If so, do you believe information in the compliant presentation that is not subject to testing should be required to be identified as not subject to testing?

<QUESTION_05>

We believe it is appropriate for the compliant presentation to include information that is not subject to the verification however this would potentially make the opinion a qualified opinion. Additionally, what about firms that claim compliance with the GIPS standards and also claim compliance with the ESG Standards? Are firms expected to provide a prospective client or investor two separate reports. We feel that without this being addressed in the ESG Standards, that it leaves both the verifier and the investment manager in a difficult position.

<QUESTION_05>

6. Are the examples of what is and what is not a material error are helpful? If you do not believe they are helpful, do you have suggested examples that should be included?

<QUESTION_06>

The examples provided in this section are helpful.

<QUESTION_06>

7. Should any professional guidance be included here?

<QUESTION_07>

We could not identify any others at this time.

<QUESTION_07>

8. There is no option for allowing a verification report to be issued with a modified conclusion. Do you agree with this approach, or should we allow a verifier to issue a verification report with a modified conclusion? Please provide your rationale.

<QUESTION_08>

The challenge with allowing for a modified conclusion and leaving that up to the firm and the verifier is that it will allow for a deviation of the ESG Standards. The point of the ESG Standards is to provide greater transparency and if the verifier is allowed to issue a modified conclusion this may result in a lack of transparency. Also, if the verifier cannot get support for certain required items but can write them away in the opinion, then are the ESG standards truly meeting the goals that were originally set out?

<QUESTION_08>

9. Do you agree with the proposed language for a management assertion? If not, please provide suggested language.

<QUESTION_09>

The language used in this management assertion is does not leave room for error. Particularly the sentence that ends with, "...which is free from misstatement, whether due to fraud or error." This should be changed to "...which at the time this assertion is made is believed to be free from misstatement, whether due to fraud or error."

<QUESTION_09>

10. Do you agree with the Guiding Principles for Verifier Independence? Should any additional Guiding Principles be added?

<QUESTION_10>

Yes we agree with the Guiding Principles.

<QUESTION_10>

11. Are there any other services that could create independence issues that should be included?

<QUESTION_11>

We are not aware of any other services that could create independence issues.

<QUESTION_11>

12. Should any other issues be included for determining a verifier's independence?

<QUESTION_12>

Who is considered the verifier? In this section, in the second paragraph its states "A verifier and its employees..." This introduces the question, is "A verifier" considered a verification firm (all employees under that name) or a single verifier. We believe that "A Verifier" should encompass the entire verification firm and not a single person.

<QUESTION_12>

13. Do you have any other suggestions that we should consider in the Verification Procedures or Verifier Independence Guidelines?

<QUESTION_13>

Agreeing on the Terms of the Engagement

- a. This first point should also reference which products are being verified. For example: "The objective and scope of the engagement, including the period and investment product(s) being verified, and that limited assurance is being provided;"

Overall we believe the verification procedures are in line with other verification procedures. Our biggest concern is how a firm claiming compliance with the GIPS Standards is going to adequately comply with both sets of Standards and not have two separate presentations. This could lead to investor confusion and potentially minimize the importance of either sets of Standards. We also would like CFA Institute to

consider if there is the opportunity for a combined ESG Compliant Presentation /GIPS Report as well as an opinion and what that would look like.

<QUESTION_13>