

**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](mailto:standards@cfainstitute.org) by 5:00 PM E.T. on 19 October 2020.

## General Information (required)

<b>Respondent:</b> <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>	Aegon Asset Management
<b>Stakeholder Group:</b> <i>(Please select the stakeholder group with which you most closely identify.)</i>	Asset Manager
<b>Region:</b> <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>	Global
<b>Country:</b> <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>	Netherlands, Hague
<b>Confidentiality Preference:</b> <i>(Please select your preference for whether your response is published on the CFA Institute website.)</i>	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>

Yes, the history of CFA Institute as a standard setter with GIPS and Code of Ethics and Standards, the Institute is well-positioned to set ESG related disclosure standards on investment products globally. The terminology around different ESG-related products requires clarity and need a framework or Standard that can help clients and investors navigate the increasingly complex investment space.

<QUESTION\_01>

### **Terminology**

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

<QUESTION\_02>

The defined terms are clear.

<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>

Impact Management Project – IRIS+ Global Impact Investment Networks. This is referenced in the feature E - Impact Objective.

<QUESTION\_03>

**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>

Yes, disclosure-based approach is the right approach due to the existence of prescriptive approaches in various markets. The drawbacks highlighted in disclosure-based approach can be overcome particularly as institutional investors and consultants have invested in human with the responsibility of determining their unique ESG objectives. Ultimately, ESG related products may

contain various subjective values ‘statements’ that may only be considered in the right context of client needs and therefore consultants and clients are best placed to determine the client need for a particular ESG product in the context of wider client investment objectives.

The assurances of minimum level benefits or performance should be out of scope of this standard. In this manner, the Standard would provide a relevant framework for relevant stakeholders to make an informed decision on the investment product in the wider context of all ESG-related products.

<QUESTION\_04>

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

<QUESTION\_05>

Firm level disclosure standards and frameworks exist already with institutional bodies like the PRI. CFA Institute is better served focusing on investment products that require more support from standard setters. Asset managers are already overburdened by firm-level disclosure requirements.

<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>

Asset managers should be able to choose which products to apply the Standard since not all asset manager’s products may be marketed ESG-related. In this manner, the asset manager may choose to market a product under the Standard and when to opt out of it. If a prospective client requests to apply the Standard that discussion should remain between the manager and the client.

Furthermore, asset manager should be able to apply elements of the Standard or the whole Standard. As a disclosure-based Standard it will be clear to the consultant, advisor, and investor to which elements of the Standard has the product been applied and if it meets their requirements or the requirements of the Standard. If the Standard is widely adopted by the various markets, complying/applying the Standard will become a de-facto requirement by itself.

<QUESTION\_06>

### **Design Principles**

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

<QUESTION\_07>

Yes, the Standard should promote an ESG-related glossary that has a growing consensus.

<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>

No, independent examination will most likely result in costs to the asset manager and not the consultant, advisor, or the investor/client. Manager paid verification has inherent conflicts of interest and we have not seen sufficient evidence of client willingness to pay for verification. Additional costs will also hamper the adoption of the Standard. Finally, information is likely to be more subjective in nature than, e.g. GIPS, which can be accurately verified as it is objective data.

The disclosures made by the manager in the Standard should be clearly laid out for the consultant/advisor to make appropriate decision on the compatibility of the ESG product. The Standard offers a 'platform' for the manager and consultant/client to communicate the general characteristics and additional features of the ESG product without the need for any additional verification.

<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>

See Q10, at maximum examination should be recommended.

<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>

See answers to Q10-11.

<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>

The item in disclosure requirements related to material changes to the investment product is particularly useful. We have witnessed a significant ‘re-labeling’ exercise in recent years for investment products adding ESG-related features. We would argue the removal of independent examination in general disclosure unless it becomes a recommendation not a requirement by the Standard.

<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>

Policy goals are not globally consistent and as such should not be requirements in general disclosure or feature-specific disclosure. The standard should allow flexibility for manager to choose to align with a policy goal. Requirements for any alignment should be left up to national and regional authorities.

The UN SDGs should not be part of general disclosure requirements as they have not been developed with the private asset management industry in mind and are not intended for this use. Asset managers may use SDGs as a guiding framework for sustainability, not ESG and often use it as a reporting mechanism.

<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>

In the absence of clear definitions and data on principles of adverse impacts related to sustainability factors it is very difficult to have disclosure requirements related to this. The Standard should avoid require discussing this completely.

Feature-related disclosure requirements should include an explanation of consideration of sustainability factors. If the sustainability consideration aligns with a local market framework(s) it should be highlighted.

<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>

ESG Integration should not be included as an ESG Feature in the proposed Standard. ESG integration as an investment feature would create confusion between identifying ESG integration and ESG ‘focused’ / ‘labeled’ investment products with a distinct ESG objective supporting the overall investment objective of the strategy.

ESG integration across material ESG risks is more commonly used across traditional investment processes globally. Many institutional clients today already require an ESG integration process in addition to any possible features highlighted in the Standard later – it is a minimum requirement not a distinct feature to have an ESG process in place in active management today.

<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>

See Q16.

<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>

See Q16.

<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>

See Q16.

<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>

Name is clearly articulated and fit for purpose.

<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>

Yes, they should both be covered by the same feature.

<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>

Building on the PRI definitions of “negative/exclusionary screening” and “norms-based screening is an appropriate course of action. It is important to highlight the various motivations for ESG-related exclusions.

<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>

Disclosure requirements are appropriate.

<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>

The definition is sufficient allowing for asset managers to select a range of different ESG metrics to base their Best-in-Class process on. The flexibility is crucial as ESG performance is measured in various ways from high-level ratings to indicator level metrics.

**Investors should not assume that an investment product with this feature will drive a change in real-world outcomes, because there is no intention or action on the part of the asset manager to provide a real-world solution to an ESG problem.**

The above is a crucial distinction to avoid confusing with Impact Investing.

<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>

Focus on ESG performance is clear.

Comparison to Feature A makes sense – ESG objective is clear.

Comparison to Feature E makes sense.

**Investment products with Feature (C) and only Feature (C) would not exclude outright any particular segment of the economy.**

The above is an important distinction for Feature C.

<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>

Yes.

<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>

Yes.

<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>

Yes.

<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>

Yes.

<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>

**These investment products also offer investors the opportunity to invest in companies that may benefit in the long term from striving to address ESG matters. Because there is no intent to influence the direction of these trends, investors should not assume that a product with an ESG-related thematic focus will drive a specific, intentional change in real-world outcomes other than those outcomes generally associated with the provision of capital—for example, the expansion of the economic activities conducted by the issuer or company.**

Yes. The above is a very important distinction that would serve well in communicating the difference of Feature D and Feature E.

<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>

Yes.

<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>

Yes.

<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>

Yes.

<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>

No. There should not be a requirement to priority rank all impact objectives, however they should be clearly defined, measured, and disclosed.

<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>

No, it should not be a distinct Feature in the Standard. Proxy Voting, Engagement and Stewardship apply not only to ESG focused products and therefore should be out of scope for the Standard.

<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>

See Q35.

<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>

See Q35.

<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>

See Q35.

<QUESTION\_38>

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

<QUESTION\_39>

There is no need for the Standard to ensure that all ESG-related features are fully covered. We recommend removing this from the Standard.

<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>

Disagree, it does not represent investor needs as there are various unique circumstances that cannot be captured by a list such as this. We would recommend removing this from the Standard. This type of categorization may be better placed to provide guidance to investment advisors in providing examples of ESG-related products to their clients. As such, it does not serve a purpose for ESG-related investment product disclosure.

<QUESTION\_40>

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

<QUESTION\_41>

See Q39-40.

<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>

The table is too prescriptive and ESG-related features are not necessarily mutually exclusive. For example, a client may want to be involved in proxy voting in a thematic product that applies norms-based screening methods.

<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>

User and benefits do not need to be defined by the Standard.

<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>

User and benefits do not need to be defined by the Standard.

<QUESTION\_44>

**General Comments: Please enter general comments below.**

<GENERAL\_COMMENTS>

ENTER RESPONSE HERE

<GENERAL\_COMMENTS>