

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: <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>	CANDRIAM
Stakeholder Group: <i>(Please select the stakeholder group with which you most closely identify.)</i>	Asset Manager
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>	Luxembourg
Confidentiality Preference: <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>

We welcome the CFA Institute's strong interest in ESG-related investment and the opportunity to share our views with the Institute on this initiative.

Yes, we do agree that a standard is needed to help investor (a) understand what constitutes a sustainable investment strategy and (b) navigate the different ESG-related features of such strategy. Indeed there has been an exponential growth in the number and scope of sustainable investment products launched by asset managers in Europe and the US over the last few years, without a corresponding emergence of a common definition for such sustainable strategy. The issue has been well documented and is visible, for instance, in the fact that it is still not possible to get a single figure for the total sustainable AuM globally since it very much depends on what one incorporates in it.

However, we do not believe that the CFA Institute should now work on developing such standard. On the contrary, we believe such initiative by the CFA Institute to risk becoming counterproductive, and where it sought to bring more market effectiveness and clarity, to instead create additional costs and sow more confusion.

First, asset manager with products distributed in Europe already have to contend with several regulatory or quasi regulatory initiatives aimed at defining minimum standard for investment products with ESG-related features. These initiatives are still unfolding and asset managers will still need some time to gain full clarity on the implications of these regulations for their business, product range and classification. Adding yet another standard, even if voluntary, is likely to create another layer of complexity, even more so inasmuch as the CFA Institute standard would do little to reconcile these different regulatory regimes, and might very well in place actually contradict them. For instance, the French AMF "doctrine" forbids asset manager to call a product combining ESG integration and engagement features as sustainable.

Secondly, the CFA Institute's standards would not come in a void in terms of disclosure, but would occupy a field already taken in Europe by the Eurosif Transparency Code template. This template constitutes in many parts of Europe the de facto standard for reporting information about ESG-related features of sustainable funds. It is a common standard that covers most, if not all the elements that the CFA Institute would integrate in its own standard.

Thirdly, we question the voluntary nature of the CFA Institute's standard, should it be created. Considering the involvement of several global fund selection firms in this initiative on one hand, the parallel with the GIPS standard on the other hand, an ESG standard developed by the CFA could quickly become mandatory as the dominant ESG fund selector would consider it a must before they consider any investment product with ESG-related features.

In conclusion we strongly urge the CFA Institute to put its project to create an ESG standard on hold for the time being. We would welcome a decision by the CFA Institute to wait for the several current

regulatory initiative to pan out and then, if still deemed necessary, to resume this initiative in 18 months to 2 years through another consultation. <QUESTION_01>

Terminology

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

<QUESTION_02>

Yes, we agree. Please note that in some markets like in France, mandates can also apply to the SRI national label and are so part of investment products .<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>

Regarding Specifications for investment, all Labels should be listed, including the French Greenfin Label or the German Label. Regarding the classification of economic activities, NACE developments should be added, in line with the Taxonomy. Additionally, In France there is the new AMF Doctrine (Position/Recommendation (DOC-2020-03))that defines requirements for fund's ESG approach and related communication/disclosure rules.

<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>

A disclosure- based approach is indeed more helpful given the fact that ESG is an area that is in constant evolution and that standardized data are still lacking. A prescriptive approach would limit innovation and further development of funds offer as well as further maturity of SRI. For investors, better transparency and comparability is crucial but the disclosed information have to be at some point controlled and investors have to know what are their needs .

<QUESTION_04>

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

<QUESTION_05>

Both are complementary and needed if we want to build a sustainable future but the product-level disclosure is more investor-oriented and is the priority.

<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>

By definition, when a standard is created, it has to be the reference. It's the final decision of an asset manager to choose to apply or not standards to specific funds but he has to be transparent about its reasons behind its choice. Please also takes into account that on the European market, the non financial disclosure regulation already introduces some requirements related to disclosure of how ESG factors are taken into account in investment products and this for all kind of products, not only for ESG ones.

<QUESTION_06>

Design Principles

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

<QUESTION_07>

YES

<QUESTION_07>

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

<QUESTION_08>

Most of the information to disclose are already part of regulatory documentation and we see merits to require some content standards. We also have to consider the fact that a unique framework is always easier for non professional investors so a kind of minimum standard format would be useful. Please note that this is already what request the non financial disclosure regulation for the European funds with an ESG approach.

<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>

See answer to question 8

<QUESTION_09>

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

<QUESTION_10>

We are not in favor of independent examination except if requested by regulators.

<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>

Funds are already submitted to a lot of regulatory controls. Independent examination should be left to the discretion of the asset manager and the possibility has to be given to benefit from other audit conducted for labels for example to mention that the independent examination has been done (and so avoid multiple costs).

<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>

(ii) examine the disclosures relative to both the design and implementation of the investment product

<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>

Yes even if most of those requirements are already part of the regulatory documentation. A mention about the difference between benchmark and universe should also be part of the disclosure, as well as ESG risks management and bias between fund/benchmark as requested by the EU Non financial Disclosure regulation.

<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>

The possibility to disclose UNSDG has to be given and funds with this specific target will mention it. In a first step, this should be a feature-specific disclosure requirement and in a second step, be part of a general disclosure.

<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>

Indeed, as this is a regulatory request.

<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>

Yes, we believe that “ESG Integration” is a clear and appropriate name. However, applying an ESG integration approach alone is not sufficient for a fund to be considered as an SRI fund. This is already in line with the principles adopted by the AMF doctrine and with the EU Non financial disclosure regulation.

<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>

Yes, it would be consistent. Measurable ESG objectives would be useful as well. <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>

Yes<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>

This could be part of disclosure at firm level within the investment policy.

<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>

Yes but the feature should also include the notion of controversy and not only ethical –related exclusions <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>

For more clarity and to avoid confusion for end investors, we would prefer to differentiate negative screening and norms-based screening.

<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>

yes<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>

Yes, no further comment<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>

Yes, because this is clear and appropriate versus “ESG Performance Profile.”
The definition of best-in-universe should also be added.

<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>

Yes, it is important to distinguish this approach <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>

Please note that the BIC approach can lead to the measure of impacts indicators, even if it is not as central as in feature E (impact)..

It should also be stated that the list is not exhaustive.

It would be useful to mention that the best in class makes it possible to select the best issuers that perform on ESG metrics within a sector and so allows to limit sectoral deviations from the benchmark.

<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, even if some issues are more related to asset manager’s investment policy<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>

We consider that minimum E-G-S standards/performances should be part of this category to be considered as an ESG-related product

<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>

The types of issues should be the same than for the other features: Sources of data, methods used to monitor, benchmarks....

<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>

We have a preference for "impact investing"

<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>

The types of issues should be the same than for the other features: Sources of data, methods used to monitor, benchmarks....

<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>

Yes but this approach should not be considered alone to define an ESG related product<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 answer to question 36<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>

It could be mention that proxy voting for example is a way of engagement like dialogue with companies.

<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>

Yes even if some aspects that are part of proxy voting process description can also be asked more broadly for engagement (ex. Proxy advisors for voting, and need to mention the possibility to ask a professional to engage with investee companies as well<QUESTION_38>

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

<QUESTION_39>

“Best in Universe” /”Best in universe” are missing

<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>

Investor’s reputational protection and long term risk management should be added.

<QUESTION_40>

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

<QUESTION_41>

They are not and should not be exclusive because investors can have multiple needs and some ESG features can answer to different ESG-related needs..

<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>

Line 1 – ESG integration & engagement : we don’t consider that this can be considered as an ESG approach (see answer to question 16) but this corresponds to the definition of integration and can answer the investor’s question.

Line (2) should include feature (F) – ESG exclusions should be combined with vote & engagement

Line (3) should include feature (D) - ESG thematics (combined with ESG integration and voting/engagement) should also be considered

Line (4) should include feature (A) and (E). – ESG thematics should be combined with ESG integration and voting/engagement

Line (5) should include feature (A) and (D). – ESG thematics (combined with ESG integration/stewardship) should be considered as well as a solution to contribute to measurable E or S goals

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>

asset owners, Insurance, other Stakeholders (NGOs, academics,...), Labels owners should be added

<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>

ENTER RESPONSE HERE

<GENERAL_COMMENTS>