

**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>	Lazard Frères Gestion
<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>	Europe
<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>	France
<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>

As the demand for ESG products has skyrocketed over the last years, asset managers have used more and more sustainable investment strategies to attract investors. As a result, there is now a myriad of ESG approaches and products, without consistency and common meaning.

The industry currently faces the risk of greenwashing, or lack of trust from the investors. For all these reasons, there is definitely a need for a global standard, controlled by a recognized institution, in order to enable investors to discuss, assess, and compare investment products with ESG-related features

<QUESTION\_01>

### **Terminology**

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

<QUESTION\_02>

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<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>

ENTER RESPONSE HERE

<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>

Nowadays, the bulk of ESG standards refer to prescriptive-based approaches, based on national or regional policies (European labels, EU taxonomy...). Those standards, while guaranteeing the sustainability of a product, can't apply to international products as they're biased by regional regulations : they lack flexibility to reflect a diversity of investment approaches and adapt to both changes in investor needs and investment product innovations. Besides European asset managers already deal with many prescriptive-based approaches and it would certainly be counterproductive to implement new norms which might bog down an already fussy regulation.

Thus, there is a need for a disclosure-based approach that will promote transparency and comparability and describe individual investment products as they are so that investors can determine how well such investment products meet their ESG-related 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>

Yes, we do. As long as the standard does not set mandatory features as a prescriptive-based approach would, it makes more sense to focus on product-level disclosures. Since only a few asset managers have expanded the scope of their ESG integration to all their products it would lessen the quality and the requirements of the standard. However asset managers should also enforce firm-level standards linked to the implementation of a sustainable investments, such as a climate change policy or an exclusion policy. Those criteria, if not mandatory, seem to be crucial to assess the sustainability of an asset manager and its products.

<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>

No, we don't . If asset managers sell their product as "sustainable" or with "ESG-related features" then there should be a minimum requirement to ensure the accuracy of it. As the CFA standard aims at being a recognized norm assessing products ESG quality, it seems that its duty is to check all ESG funds.

<QUESTION\_06>

## **Design Principles**

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

<QUESTION\_07>

ENTER RESPONSE HERE

<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>

Regarding the number and content of required documents it would certainly be easier for investors to have all disclosures made in a single document. Besides, this might also help the independent auditor in his job.

<QUESTION\_09>

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

<QUESTION\_10>

ENTER RESPONSE HERE

<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>

Again, as the CFA aims at producing a recognized and global standard it seems that the same method and rules should apply to all investors and products, meaning that whether all or none of the products should be examined by an independent auditor (several would be better to ensure there is no bias).

<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>

Considering the amount of work necessary to examine the disclosures relative to both the design and the implementation of the investment product it seems sufficient to do it only for the design of the investment product, and perhaps make unannounced inspections later.

<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>

All important topics have already been mentioned. However, it could be relevant to mention the external providers asset managers used to access ESG data. Besides, asset managers could also add a historical review of its performances (both financial and extra-financial).

<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>

Yes, it should if this information is relevant regarding the fund results and its management. These requirements would better be part of feature-specific disclosure requirements as they will apply only to investment products that claim to have this particular feature (alignment with international policy goals etc.)

<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>

ENTER RESPONSE HERE

<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>

ENTER RESPONSE HERE

<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>

Although it is mentioned several times in the exhibit, it is not clear whether or not the improvement of financial return is the only purpose of this ESG integration. For instance the CFA could make it clearer in the definition, stating it verbatim.

<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>

ENTER RESPONSE HERE

<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>

Asset managers could add comparisons with non-ESG benchmarks to show the different performances, depending on ESG integration. It would perhaps be easier to mention the source of ESG data in the general disclosure requirements.

<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>

ENTER RESPONSE HERE

<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>

ENTER RESPONSE HERE

<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>

ENTER RESPONSE HERE

<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>

*As there is no global strategy for most ESG exclusions, it might be necessary to demand the exclusion lists and the methods used to establish them (data, calculations with details and explanations). Moreover, as those lists are likely to change regularly, guarantees about data updates should also be added.*

<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>

ENTER RESPONSE HERE

<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>

ENTER RESPONSE HERE

<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>

The definition of Feature [C] could be clearer: the document points out the differences with the other features but does not actually explain what it involves.

The definition should mention : the notion of threshold, the idea that only companies with the highest scores within a same field are selected, the fact that this method is based on ESG scores and involves an internal ESG rating

<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>

The Best-in-Class approach consists in choosing the companies with the top performing results for a specific metric (in that case the ESG score). Sometimes asset managers do not select a certain number or percentage of companies with the highest scores but decide of a grade that companies should exceed. In that case it could be relevant to add a description of the asset manager’s assessment of the impact of the ESG-related exclusion criteria on the size of the investment universe. Besides, as suggested before, it would perhaps be easier to mention the source of ESG data in the general disclosure requirements.

<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>

ENTER RESPONSE HERE

<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>

ENTER RESPONSE HERE

<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>

ENTER RESPONSE HERE

<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>

More specific requirements should be added about the sustainability of the investee companies (with both ESG and thematic focuses when constructing the portfolio). For instance, it is not enough to create a fund linked to one ESG topic if the companies are not compliant with other important sustainable issues.

<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>

ENTER RESPONSE HERE

<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>

ENTER RESPONSE HERE

<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>

ENTER RESPONSE HERE

<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>

ENTER RESPONSE HERE

<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>

No, we don't. “Proxy Voting, Engagement, and Stewardship” should be part of the general disclosure requirements for every ESG-related product. It is reasonable to assume that every sustainable fund will have an appropriate engagement and stewardship policy (and indeed there is a strong overlap with the other features when looking at the last section of the exhibit “types of issues to be addressed by disclosure requirements”). On the contrary, taking ESG criteria into account in its engagement policy is not enough to assess the sustainability of a fund.

<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>

ENTER RESPONSE HERE

<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>

Examples of engagements should be mentioned, along with results and improvements or voting statistics.

<QUESTION\_38>

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

<QUESTION\_39>

ENTER RESPONSE HERE

<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>

ENTER RESPONSE HERE

<QUESTION\_40>

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

<QUESTION\_41>

ENTER RESPONSE HERE

<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>

We disagree with some of the connections made by the CFA Institute :

- An exclusion policy does not guarantee that the fund will entail positive effects and consequences and neither does a best in class criterion (as opposed to “best in universe” ).
- By investing in a fund with an impact objective the investor is likely to reach “ESG need n°2”

<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>

ENTER RESPONSE HERE

<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>