

October 19, 2020

*Via Electronic Submission*

Chris Fidler  
Senior Director, Global Industry Standards  
CFA Institute  
915 E. High Street  
Charlottesville, VA 22902

**Re: Consultation Paper on the Development of the CFA Institute ESG Disclosure Standards for Investment Products**

Dear Mr. Fidler:

The Investment Adviser Association (**IAA**)<sup>1</sup> welcomes the opportunity to comment on the CFA Institute’s (**CFA’s**) *Consultation Paper on the Development of ESG Disclosure Standards for Investment Products (Consultation Paper)*.<sup>2</sup> The purpose of the ESG Disclosure Standards (**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.”<sup>3</sup> While this goal is laudable and we appreciate the CFA’s attention to ESG investing, we do not believe that a new standard is needed due to multiple regulators currently engaging in related activity in this area and the existence of multiple third-party standards. We are also concerned that a new standard would impose significant costs while increasing rather than reducing investor confusion. We strongly recommend that the CFA wait until regulators have completed their deliberations and then determine whether there is a need for ESG product disclosure standards. Our responses below to questions in the Consultation Paper focus on three areas: (i) the need for and scope of the Standard; (ii) our objection to the independent examination requirement; and (iii) “ESG Integration” and “Proxy Voting, Engagement, and Stewardship” as ESG-Related Features.

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<sup>1</sup> The IAA is the largest organization dedicated to advancing the interests of investment advisers registered with the Securities and Exchange Commission (**SEC**). For more than 80 years, the IAA has been advocating for advisers before Congress and U.S. and global regulators, promoting best practices and providing education and resources to empower advisers to effectively serve their clients, the capital markets, and the U.S. economy. The IAA’s member firms manage more than \$25 trillion in assets for a wide variety of individual and institutional clients, including pension plans, trusts, mutual funds, private funds, endowments, foundations, and corporations. For more information, please visit [www.investmentadviser.org](http://www.investmentadviser.org).

<sup>2</sup> The Consultation Paper is available at <https://www.cfainstitute.org/-/media/documents/code/esg-standards/consultation-paper-on-esg-disclosure-standards.ashx>.

<sup>3</sup> Consultation Paper at 4.

## I. Need for and Scope of the Standard (Questions 1 and 3-6)

As we discuss below, there is significant ongoing regulatory activity regarding ESG investing and we are very concerned that a new CFA standard in this area could unnecessarily burden asset managers and create the potential for increased investor confusion. We also comment on the scope of the Standard.

### 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?**

We appreciate the CFA's focus on ESG investing. Many IAA members engage in ESG investing on behalf of their clients and sponsor ESG-focused funds. However, unlike when the CFA Institute first adopted the Global Investment Performance Standards, which filled a gap in the availability of standardized investment performance measurement, there is no similar lack of regulatory effort or third-party standards related to ESG disclosure. The SEC, the Commodity Futures Trading Commission (CFTC), and other regulators are either considering developing, or have developed, regulations regarding ESG disclosures. Given the strong and anticipated sustained policymaker focus on ESG disclosure issues, and to avoid inconsistencies with, or additional requirements on top of, these existing or potential regulations, we do not believe that a new standard in this area is needed. We strongly recommend that the CFA wait until regulators have completed their deliberations and then determine whether there is a need for ESG product disclosure standards. Below we describe recent regulatory activity in this area in greater detail.

In a request for comment earlier this year regarding the fund names rule (**Fund Names Rule**) under the Investment Company Act of 1940 (**Investment Company Act**),<sup>4</sup> the SEC asked a number of questions regarding ESG funds, including whether the Fund Names Rule should apply to terms such as "ESG" or "sustainable," and whether there should be other limits on a fund's ability to characterize its investments as ESG or sustainable.<sup>5</sup> In addition, the SEC's recently-formed Asset Management Advisory Committee (AMAC)<sup>6</sup> has an ESG Subcommittee which is developing recommendations that it plans to issue to the SEC in December.<sup>7</sup> These

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<sup>4</sup> Rule 35d-1.

<sup>5</sup> See *Request for Comments on Fund Names*, Rel. No. IC-33809 (Mar. 2, 2020), available at <https://www.sec.gov/rules/other/2020/ic-33809.pdf>.

<sup>6</sup> Information on the SEC's Asset Management Advisory Committee is available at <https://www.sec.gov/page/asset-management-advisory-committee>.

<sup>7</sup> See SEC Asset Management Advisory Committee, *Update on Progress in ESG Subcommittee* (Sept. 16, 2020), available at <https://www.sec.gov/files/update-from-esg-subcommittee-09162020.pdf> (AMAC ESG Update).

recommendations will reportedly relate to several workstreams that the subcommittee has developed, including on performance management, ESG rating systems, and issuer disclosure. Issuer disclosure is a key concern for asset managers because consistent and comparable ESG issuer disclosures would better facilitate consistent and comparable ESG disclosures at the investment product level.

SEC Commissioners have also discussed the need for ESG disclosure standards.<sup>8</sup> We strongly believe that the CFA should wait until after the SEC has reviewed responses to its request for comment, evaluated the AMAC recommendations, considered other related regulatory efforts, and completed its deliberations in this area. We also note that the CFTC is considering ESG issues as well. The Climate-Related Market Risk Subcommittee of the CFTC's Market Risk Advisory Committee recently issued a report titled *Managing Climate Risk in the U.S. Financial System*, which discusses climate risk disclosure.<sup>9</sup> In addition, the Department of Labor is also engaged in a rulemaking regarding ESG investing.<sup>10</sup>

In Europe, as noted in the Consultation Paper, the EU has adopted several regulations in this area, including Regulation EU 2019/2088 Sustainable Finance Disclosure Regulation (**SFDR**).<sup>11</sup> Many of our members are working diligently to implement these new regulations. In addition, the International Organization of Securities Commissions (**IOSCO**) has established a Task Force on Sustainable Finance and one of its goals is “to improve sustainability-related disclosures made by issuers and asset managers.”<sup>12</sup>

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<sup>8</sup> See Commissioner Allison Herren Lee, *Regulation S-K and ESG Disclosures: An Unsustainable Silence* (Aug. 26, 2020), available at <https://www.sec.gov/news/public-statement/lee-regulation-s-k-2020-08-26>; Commissioner Caroline Crenshaw, *Statement on the “Modernization” of Regulation S-K Items 101, 103, and 105* (Aug. 26, 2020), available at <https://www.sec.gov/news/public-statement/crenshaw-statement-modernization-regulation-s-k>; and Commissioner Elad Roisman, *Keynote Speech at the Society for Corporate Governance National Conference* (July 7, 2020), available at <https://www.sec.gov/news/speech/roisman-keynote-society-corporate-governance-national-conference-2020>.

<sup>9</sup> See *Managing Climate Risk in the U.S. Financial System*, Report of the Climate-Related Market Risk Subcommittee, Market Risk Advisory Committee of the U.S. Commodity Futures Trading Commission (Sept. 9, 2020), available at <https://www.cftc.gov/sites/default/files/2020-09/9-9-20%20Report%20of%20the%20Subcommittee%20on%20Climate-Related%20Market%20Risk%20-%20Managing%20Climate%20Risk%20in%20the%20U.S.%20Financial%20System%20for%20posting.pdf>.

<sup>10</sup> See *Financial Factors in Selecting Plan Investments*, 85 FR 39113 (June 30, 2020), available at <https://www.govinfo.gov/content/pkg/FR-2020-06-30/pdf/2020-13705.pdf>.

<sup>11</sup> See <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A32019R2088#:~:text=This%20Regulation%20aims%20to%20reduce,investment%2C%20by%20requiring%20financial%20market>.

<sup>12</sup> See Media Release, *IOSCO steps up its efforts to address issues around sustainability and climate change* (Apr. 14, 2020), available at <https://www.iosco.org/news/pdf/IOSCONEWS564.pdf>.

We are concerned that, if the CFA proceeds with a standard before regulators have completed their consideration of the issues, that standard could become a *de facto* market requirement, with institutional investors and their consultants expecting asset managers to adopt it in the short term. Any standard adopted by the CFA could result in disclosures that are potentially inconsistent with and/or duplicative of regulatory requirements, which would increase costs and burdens for asset managers while likely exacerbating rather than reducing confusion for investors. We are also concerned that, with the large number of existing third-party standards noted by the CFA in the Consultation Paper, an additional standard will only further increase investor confusion.

### **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?**

As discussed in our response to Question 1, the SEC has issued a request for comment in connection with the Fund Names Rule that discusses ESG investing. Moreover, certain SEC Commissioners have signaled a strong interest in developing disclosure requirements in this area, and the AMAC's ESG Subcommittee plans to issue recommendations to the SEC in December in connection with several related workstreams. In addition, the CFTC is also focused on climate risk. We are concerned that, if the CFA proceeds with a standard in advance of regulators completing their deliberations in this area, there could be inconsistent and duplicative standards and potential increased investor confusion.

**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?**

While we recommend that the CFA not proceed with the Standard at this time, should it do so, we agree that a principles-based disclosure approach would be more helpful than a prescriptive approach. We strongly support informed investor choice and object to actions that would limit the ability of investment advisers to pursue ESG investment strategies on behalf of their clients or otherwise substitute a regulator's judgment about investment strategy for that of professional fiduciaries. We also believe that investment advisers should not be required to consider a particular set of ESG factors when making investment decisions, because the factors considered by advisers vary across firms. We are concerned by language in the Consultation Paper leading up to question 4 that a drawback of a disclosure-based approach is that "it does not provide assurance that an investment product will provide a minimum level of benefits or performance."<sup>13</sup> We do not believe that any approach would or should provide a minimum level of benefits or performance, due to the inability to predict future results.

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<sup>13</sup> Consultation Paper at 6.

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

While we recommend that the CFA not proceed with the Standard at this time, should it do so, we believe that the Standard is designed for products, and therefore should be product-focused and not firm-focused.

**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?**

While we recommend that the CFA not proceed with the Standard at this time, should it do so, we believe that asset managers should have the flexibility to choose the investment products to which they apply the Standard. We also have concerns about certain ESG-related features, as discussed in our responses to Questions 16 and 36 below.

**II. Independent Examination Requirement (Question 11)**

We are strongly opposed to any independent examination requirement for the reasons described below.

**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?**

While we recommend that the CFA not proceed with the Standard at this time, should it do so, we do not believe that independent examination should be required. We are concerned that independent, third-party examinations would be costly and time consuming for investment advisers. Most investment advisers are small businesses that would be disproportionately affected, without significant benefits.

We note that investment advisers are not subject to independent third-party examinations with respect to other disclosures, including disclosures related to other types of investment strategies, and we do not believe that ESG investment strategies should be singled out in this regard. Investment advisers are subject to an overarching fiduciary duty and robust disclosure requirements under the Investment Advisers Act of 1940 that apply across investment strategies. Investment advisers are also subject to periodic SEC examinations. Advisers also must comply with product-level disclosure requirements under the Investment Company Act and other regulations and they have compliance policies and procedures in place to address these requirements. Accordingly, we do not believe that requiring third-party examinations would be warranted.

### **III. ESG-Related Features (Questions 16 and 36)**

While we recommend that the CFA not proceed with the Standard at this time, should it do so, we do not believe that “ESG Integration” or “Proxy Voting, Engagement, and Stewardship” should be characterized as ESG-Related Features.

**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.**

We do not believe that “ESG Integration” should be characterized as an ESG-Related Feature. The consideration of ESG factors is now widely considered to be a component of generally accepted investment principles (*e.g.*, risk management) that apply across virtually all investment strategies. For example, it is common for investment advisers to consider as part of their evaluation of a portfolio company the company’s board of directors. Similarly, today, when investment advisers analyze portfolio companies’ risk management programs, they are likely considering how those companies are dealing with the COVID-19 pandemic, regardless of their investment strategy.

**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?**

We do not believe that “Proxy Voting, Engagement, and Stewardship” should be characterized as an ESG-Related Feature. Proxy voting applies across investment strategies, is not unique to ESG investment strategies, and both investment advisers and investment companies are already subject to disclosure requirements regarding proxy voting. We note that the AMAC’s ESG Subcommittee initially had a proxy voting workstream, but it is not making recommendations to the SEC related to that workstream due to recent SEC actions in this area, including a rulemaking for proxy advisory firms and guidance for investment advisers that apply regardless of investment strategy. The subcommittee concluded that the SEC’s actions in this area “effectively improved investors [sic] ethical outcomes and in combination with [Form] 13F provide an adequate level of transparency with respect to proxy voting whether a fund is designed to include ESG considerations or not.”<sup>14</sup>

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<sup>14</sup> See AMAC ESG Update. Form 13F is a quarterly report that institutional investment managers that exercise investment discretion over at least \$100 million in Section 13(f) securities file with the SEC. Section 13(f) securities generally include U.S. exchange-traded stocks, shares of closed-end investment companies, shares of exchange-traded funds, and certain convertible debt securities, equity options, and warrants.

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We also do not believe that proxy voting needs to be addressed by the CFA in other disclosure requirements in a standard for SEC-registered investment advisers or investment companies, because they are already required to disclose information regarding proxy voting.<sup>15</sup>

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We appreciate your consideration of our comments on the Consultation Paper and would be happy to provide any additional information that may be helpful. Please contact Sarah Buescher, IAA Associate General Counsel, or the undersigned at (202) 293-4222 if we can be of further assistance.

Respectfully Submitted,

/s/ Gail C. Bernstein

Gail C. Bernstein  
General Counsel

Response Form Attached

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<sup>15</sup> For SEC-registered investment advisers, *see* Item 17 of Part 2A of Form ADV under the Investment Advisers Act, available at <https://www.sec.gov/about/forms/formadv-part2.pdf>. For SEC-registered investment companies, *see*, *e.g.*, Item 17(f) of Form N-1A under the Investment Company Act, available at <https://www.sec.gov/files/formn-1a.pdf>.

**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)**

<p><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></p>	Investment Adviser Association
<p><b>Stakeholder Group:</b> <i>(Please select the stakeholder group with which you most closely identify.)</i></p>	Asset Manager
<p><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></p>	North America
<p><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></p>	USA
<p><b>Confidentiality Preference:</b> <i>(Please select your preference for whether your response is published on the CFA Institute website.)</i></p>	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 appreciate the CFA's focus on ESG investing. Many IAA members engage in ESG investing on behalf of their clients and sponsor ESG-focused funds. However, unlike when the CFA Institute first adopted the Global Investment Performance Standards, which filled a gap in the availability of standardized investment performance measurement, there is no similar lack of regulatory effort or third-party standards related to ESG disclosure. The SEC, the Commodity Futures Trading Commission (**CFTC**), and other regulators are either considering developing, or have developed, regulations regarding ESG disclosures. Given the strong and anticipated sustained policymaker focus on ESG disclosure issues, and to avoid inconsistencies with, or additional requirements on top of, these existing or potential regulations, we do not believe that a new standard in this area is needed. We strongly recommend that the CFA wait until regulators have completed their deliberations and then determine whether there is a need for ESG product disclosure standards. Below we describe recent regulatory activity in this area in greater detail.

In a request for comment earlier this year regarding the fund names rule (**Fund Names Rule**) under the Investment Company Act of 1940 (**Investment Company Act**),<sup>1</sup> the SEC asked a number of questions regarding ESG funds, including whether the Fund Names Rule should apply to terms such as "ESG" or "sustainable," and whether there should be other limits on a fund's ability to characterize its investments as ESG or sustainable.<sup>2</sup> In addition, the SEC's recently-formed Asset Management Advisory Committee (**AMAC**)<sup>3</sup> has an ESG Subcommittee which is developing recommendations that it plans to issue to the SEC in December.<sup>4</sup> These recommendations will reportedly relate to several workstreams that the subcommittee has developed, including on performance management, ESG rating systems, and issuer disclosure. Issuer disclosure is a key concern for asset managers because consistent and comparable ESG issuer disclosures would better facilitate consistent and comparable ESG disclosures at the investment product level.

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<sup>1</sup> Rule 35d-1.

<sup>2</sup> See *Request for Comments on Fund Names*, Rel. No. IC-33809 (Mar. 2, 2020), available at <https://www.sec.gov/rules/other/2020/ic-33809.pdf>.

<sup>3</sup> Information on the SEC's Asset Management Advisory Committee is available at <https://www.sec.gov/page/asset-management-advisory-committee>.

<sup>4</sup> See SEC Asset Management Advisory Committee, *Update on Progress in ESG Subcommittee* (Sept. 16, 2020), available at <https://www.sec.gov/files/update-from-esg-subcommittee-09162020.pdf> (**AMAC ESG Update**).

SEC Commissioners have also discussed the need for ESG disclosure standards.<sup>5</sup> We strongly believe that the CFA should wait until after the SEC has reviewed responses to its request for comment, evaluated the AMAC recommendations, considered other related regulatory efforts, and completed its deliberations in this area. We also note that the CFTC is considering ESG issues as well. The Climate-Related Market Risk Subcommittee of the CFTC's Market Risk Advisory Committee recently issued a report titled *Managing Climate Risk in the U.S. Financial System*, which discusses climate risk disclosure.<sup>6</sup> In addition, the Department of Labor is also engaged in a rulemaking regarding ESG investing.<sup>7</sup>

In Europe, as noted in the Consultation Paper, the EU has adopted several regulations in this area, including Regulation EU 2019/2088 Sustainable Finance Disclosure Regulation (**SFDR**).<sup>8</sup> Many of our members are working diligently to implement these new regulations. In addition, the International Organization of Securities Commissions (**IOSCO**) has established a Task Force on Sustainable Finance and one of its goals is "to improve sustainability-related disclosures made by issuers and asset managers."<sup>9</sup>

We are concerned that, if the CFA proceeds with a standard before regulators have completed their consideration of the issues, that standard could become a *de facto* market requirement, with institutional investors and their consultants expecting asset managers to adopt it in the short term. Any standard adopted by the CFA could result in disclosures that are potentially inconsistent with and/or duplicative of regulatory requirements, which would increase costs and burdens for asset managers while likely exacerbating rather than reducing confusion for investors. We are also concerned that, with the large number of existing third-party standards noted by the CFA in the Consultation Paper, an additional standard will only further increase investor confusion.

<QUESTION\_01>

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<sup>5</sup> See Commissioner Allison Herren Lee, *Regulation S-K and ESG Disclosures: An Unsustainable Silence* (Aug. 26, 2020), available at <https://www.sec.gov/news/public-statement/lee-regulation-s-k-2020-08-26>; Commissioner Caroline Crenshaw, *Statement on the "Modernization" of Regulation S-K Items 101, 103, and 105* (Aug. 26, 2020), available at <https://www.sec.gov/news/public-statement/crenshaw-statement-modernization-regulation-s-k>; and Commissioner Elad Roisman, *Keynote Speech at the Society for Corporate Governance National Conference* (July 7, 2020), available at <https://www.sec.gov/news/speech/roisman-keynote-society-corporate-governance-national-conference-2020>.

<sup>6</sup> See *Managing Climate Risk in the U.S. Financial System*, Report of the Climate-Related Market Risk Subcommittee, Market Risk Advisory Committee of the U.S. Commodity Futures Trading Commission (Sept. 9, 2020), available at <https://www.cftc.gov/sites/default/files/2020-09/9-9-20%20Report%20of%20the%20Subcommittee%20on%20Climate-Related%20Market%20Risk%20-%20Managing%20Climate%20Risk%20in%20the%20U.S.%20Financial%20System%20for%20posting.pdf>.

<sup>7</sup> See *Financial Factors in Selecting Plan Investments*, 85 FR 39113 (June 30, 2020), available at <https://www.govinfo.gov/content/pkg/FR-2020-06-30/pdf/2020-13705.pdf>.

<sup>8</sup> See <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A32019R2088#:~:text=This%20Regulation%20aims%20to%20reduce,investment%2C%20by%20requiring%20financial%20market>.

<sup>9</sup> See Media Release, *IOSCO steps up its efforts to address issues around sustainability and climate change* (Apr. 14, 2020), available at <https://www.iosco.org/news/pdf/IOSCONEWS564.pdf>.

## **Terminology**

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

<QUESTION\_02>

ENTER RESPONSE HERE

<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>

As discussed in our response to Question 1, the SEC has issued a request for comment in connection with the Fund Names Rule that discusses ESG investing. Moreover, certain SEC Commissioners have signaled a strong interest in developing disclosure requirements in this area, and the AMAC's ESG Subcommittee plans to issue recommendations to the SEC in December in connection with several related workstreams. In addition, the CFTC is also focused on climate risk. We are concerned that, if the CFA proceeds with a standard in advance of regulators completing their deliberations in this area, there could be inconsistent and duplicative standards and potential increased investor confusion.

<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>

While we recommend that the CFA not proceed with the Standard at this time, should it do so, we agree that a principles-based disclosure approach would be more helpful than a prescriptive approach. We strongly support informed investor choice and object to actions that would limit the ability of investment advisers to pursue ESG investment strategies on behalf of their clients or otherwise substitute a regulator's judgment about investment strategy for that of professional fiduciaries. We also believe that investment advisers should not be required to consider a particular set of ESG factors when making investment decisions, because the factors considered by advisers vary across firms. We are concerned by language in the Consultation Paper leading up to question 4 that a drawback of a disclosure-based approach is that "it does not provide assurance that an investment product will

provide a minimum level of benefits or performance.”<sup>10</sup> We do not believe that any approach would or should provide a minimum level of benefits or performance, due to the inability to predict future results.

<QUESTION\_04>

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

<QUESTION\_05>

While we recommend that the CFA not proceed with the Standard at this time, should it do so, we believe that the Standard is designed for products, and therefore should be product-focused and not firm-focused.]

<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>

While we recommend that the CFA not proceed with the Standard at this time, should it do so, we believe that asset managers should have the flexibility to choose the investment products to which they apply the Standard. We also have concerns about certain ESG-related features, as discussed in our responses to Questions 16 and 36 below.

<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

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<sup>10</sup> Consultation Paper at 6.

<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>

Please see our response to Question 11.

<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>

While we recommend that the CFA not proceed with the Standard at this time, should it do so, we do not believe that independent examination should be required. We are concerned that independent, third-party examinations would be costly and time consuming for investment advisers. Most investment advisers are small businesses that would be disproportionately affected, without significant benefits.

We note that investment advisers are not subject to independent third-party examinations with respect to other disclosures, including disclosures related to other types of investment strategies, and we do not believe that ESG investment strategies should be singled out in this regard. Investment advisers are subject to an overarching fiduciary duty and robust disclosure requirements under the Investment Advisers Act of 1940 that apply across investment strategies. Investment advisers are also subject to periodic SEC examinations. Advisers also must comply with product-level disclosure requirements under the Investment Company Act and other regulations and they have compliance policies and procedures in place to address these requirements. Accordingly, we do not believe that requiring third-party examinations would be warranted.

<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>

Please see our Response to Question 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>

ENTER RESPONSE HERE

<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>

ENTER RESPONSE HERE

<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>

We do not believe that “ESG Integration” should be characterized as an ESG-Related Feature. The consideration of ESG factors is now widely considered to be a component of generally accepted investment principles (*e.g.*, risk management) that apply across virtually all investment strategies. For example, it is common for investment advisers to consider as part of their evaluation of a portfolio company the company’s board of directors. Similarly, today, when investment advisers analyze portfolio companies’ risk management programs, they are likely considering how those companies are dealing with the COVID-19 pandemic, regardless of their investment strategy.

<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>

Please see our response to Question 16.

<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>

Please see our response to Question 16.

<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>

Please see our response to Question 16.

<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>

ENTER RESPONSE HERE

<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>

ENTER RESPONSE HERE

<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>

ENTER RESPONSE HERE

<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>

ENTER RESPONSE HERE

<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>

Please see our response to Question 36.

<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>

We do not believe that “Proxy Voting, Engagement, and Stewardship” should be characterized as an ESG-Related Feature. Proxy voting applies across investment strategies, is not unique to ESG investment strategies, and both investment advisers and investment companies are already subject to disclosure requirements regarding proxy voting. We note that the AMAC’s ESG Subcommittee initially had a proxy voting workstream, but it is not making recommendations to the SEC related to that workstream due to recent SEC actions in this area, including a rulemaking for proxy advisory firms and guidance for investment advisers that apply regardless of investment strategy. The subcommittee concluded that the SEC’s actions in this area “effectively improved investors [sic] ethical outcomes and in combination with [Form] 13F provide an adequate level of transparency with respect to proxy voting whether a fund is designed to include ESG considerations or not.”<sup>11</sup>

We also do not believe that proxy voting needs to be addressed by the CFA in other disclosure requirements in a standard for SEC-registered investment advisers or investment companies, because they are already required to disclose information regarding proxy voting.<sup>12</sup>

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<sup>11</sup> See AMAC ESG Update. Form 13F is a quarterly report that institutional investment managers that exercise investment discretion over at least \$100 million in Section 13(f) securities file with the SEC. Section 13(f) securities generally include U.S. exchange-traded stocks, shares of closed-end investment companies, shares of exchange-traded funds, and certain convertible debt securities, equity options, and warrants.

<sup>12</sup> For SEC-registered investment advisers, see Item 17 of Part 2A of Form ADV under the Investment Advisers Act, available at <https://www.sec.gov/about/forms/formadv-part2.pdf>. For SEC-registered investment companies, see, e.g., Item 17(f) of Form N-1A under the Investment Company Act, available at <https://www.sec.gov/files/formn-1a.pdf>.

<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>

Please see our response to Question 36.

<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>

Please see our response to Question 36.

<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>

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>

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>

Please see attached comment letter.

<GENERAL\_COMMENTS>