



# GLOBAL ESG DISCLOSURE STANDARDS FOR INVESTMENT PRODUCTS

06 APRIL 2022

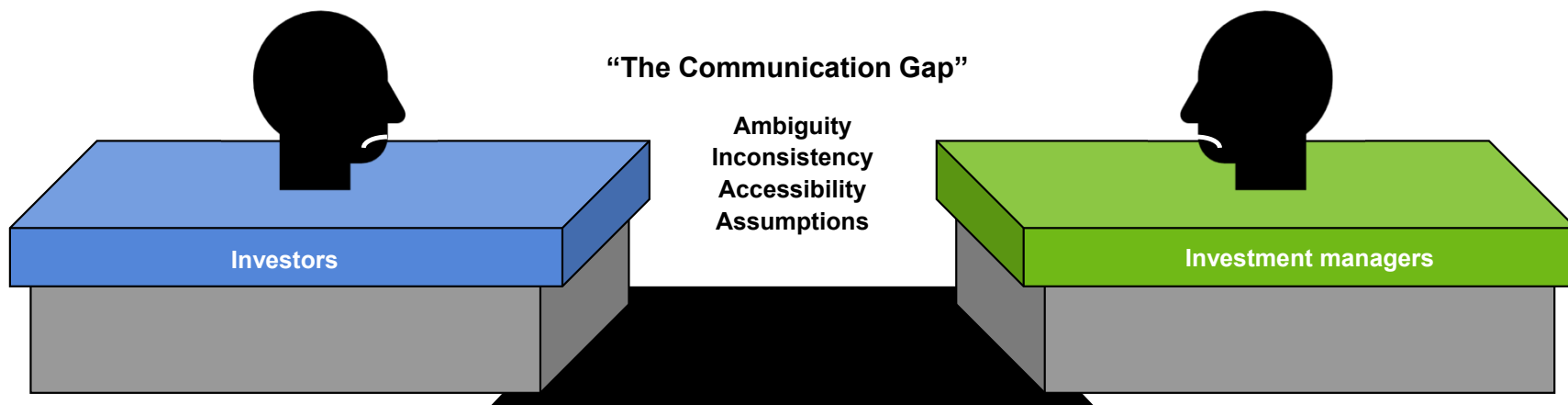
# EXECUTIVE SUMMARY

- On 1 November 2021, CFA Institute issued the Global ESG Disclosure Standards for Investment Products, the first global voluntary standards for disclosing how an investment product considers ESG issues in its objectives, investment process, and stewardship activities.
- The Standards were developed through a transparent, collaborative process that was informed by two rounds of public consultation and guided by volunteer investment professionals.
- The Standards seek to address “greenwashing” as well as the difficulties that investors face when trying to understand, evaluate, and compare investment products that incorporate one or more ESG approaches.
- The Standards have been designed to accommodate the full range of investment vehicles, asset classes, and ESG approaches offered in markets around the world.
- Global standards like the Global ESG Disclosure Standards for Investment Products play an important role, alongside regulation, in shaping industry practices.
- Additional materials will be released in the coming months including independent assurance procedures, a handbook that explains the provisions of the Standards, and an optional template to standardize the format of investment product ESG disclosures.

# CURRENT STATE

- Will ESG risks affect the value of my investments?
- How can I align my investments with my values and preferences?
- Can my investment decisions reduce the negative impacts on other people and the planet?
- Can my investment contribute to the advancement of real-world outcomes that I care about?

- How can we explain the various ESG approaches that we've incorporated into our products?
- How can we avoid allegations of greenwashing, and the associated reputation, legal, and compliance risks?
- How can we efficiently and effectively respond to all the demands for disclosure?



# FUTURE STATE

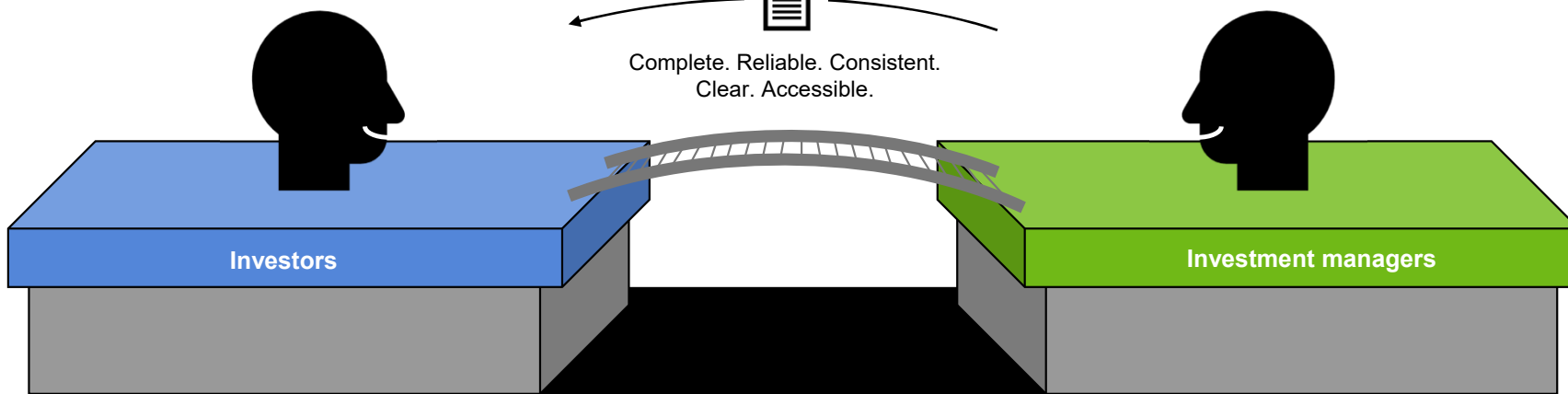
## Global ESG Disclosure Standards for Investment Products

### ESG Disclosure Statement

All of the disclosures required by the Global ESG Disclosure Standards for Investment Products that apply to a specific investment product.



Complete. Reliable. Consistent.  
Clear. Accessible.



# PURPOSE AND SCOPE

## In Scope

## Out of Scope

### Purpose

Facilitate fair representation and full disclosure of the ESG approaches used in an investment product

Establish rules or criteria for the design, naming, or classification of investment products

### Disclosure Type

Requirements for the disclosure of how ESG issues are considered in an investment product's objectives, investment process, or stewardship activities

Requirements for the reporting of environmental or social outcomes, stewardship activities, or portfolio-level characteristics, allocations, or metrics over a period of time.

# OVERVIEW OF THE STANDARDS

## CONTENTS

Preface

Introduction

Guiding Principles for Investment Product Disclosures

1. Fundamentals of Compliance

2. Investment Product ESG Disclosures

3. ESG Terminology

Glossary

Appendix A: Determining the Applicability of Provisions

Appendix B: Sample ESG Disclosure Statements

Appendix C: Development of the Global ESG Disclosure Standards for Investment Products

Appendix D: Relationship to Regulations and Other Codes and Standards

- Summary description of ESG approaches
- Summary description of specific ESG issues addressed by ESG approaches
- Labels and certifications
- Sources and types of ESG information
- Systematic consideration of financially material ESG information in investment decisions
- ESG index as an investment universe
- ESG screening criteria
- Targets for portfolio-level ESG characteristics
- Portfolio-level allocation targets for investments that have specific ESG characteristics
- Stewardship activities
- Environmental and social impact objectives

# BENEFITS

## Investors, Consultants, and Distributors

- Better understand, evaluate, and compare the ESG approaches used in investment products.
- Complement and streamline manager search, product selection, due diligence, governance reporting, and record-keeping processes.

## Investment Managers

- Facilitate sales and distribution of investment products.
- Save time and effort responding to requests for proposals (RFPs) and due diligence questionnaires (DDQs).
- Reduce reputation, legal, and compliance risk.
- Enhances the investment manager's brand.

# APPLICATION



## All ESG approaches

- ESG integration
- Screening
- Impact
- Thematic
- Best-in-class
- Proxy voting and engagement
- Etc.



## All vehicles

- Pooled funds, ETFs
- Strategies by which individually owned accounts are managed
- Partnerships
- Contracts



## All asset classes

- Equities, fixed income, real estate, commodities, infrastructure, derivatives
- Public and private
- Multi-asset class



## All markets

- Independent of policy objectives
- Compatible with disclosure regulations
- Compatible with naming and labelling rules

Investment managers are permitted to apply the Standards on a product-by-product basis.

## NEXT STEPS



### **Assurance Procedures**

Procedures for independent third parties providing assurance on ESG Disclosure Statements



### **Handbook**

Explanation and interpretation of the provisions



### **Optional Template**

Standardized format for an ESG Disclosure Statement to facilitate comparison between products

# GETTING STARTED

## Investment Managers

- 1 Document its policies and procedures for establishing and maintaining compliance with the Standards.
- 2 Prepare an ESG Disclosure Statement for an investment product.
- 3 Notify CFA Institute by submitting a form on the CFA Institute website.
- 4 Make the ESG Disclosure Statement available to investors.

## Investors, Consultants, and Distributors

- 1 Ask for ESG Disclosure Statements from your existing managers, in your requests for proposal (RFPs), or as part of your due diligence process.



# GLOBAL ESG DISCLOSURE STANDARDS FOR INVESTMENT PRODUCTS

06 APRIL 2022