

**PRESS RELEASE**

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**CFA Institute Publishes Consultation Paper on ESG Disclosure Standards*****Standard to provide transparency on ESG features of investment products***

**[SYDNEY, AUSTRALIA], 25 August 2020:** CFA Institute, the global association of investment professionals, announced today the publication of a Consultation Paper seeking feedback on its proposed Environmental, Social and Governance (ESG) Disclosure Standards for Investment Products (“the Standard”).

The Standard will primarily focus on disclosure requirements for investment products with ESG-related features so that investors can more comprehensively evaluate whether an investment product will meet their needs.

“With growing interest in ESG investing, support is widespread from the investment community for the development of a standard to reduce confusion and facilitate better alignment of investor objectives with investment products,” said Margaret Franklin, CFA, President and CEO of CFA Institute.

“Setting global industry standards to ensure transparency and safeguard trust is integral to our mission and will help consumers to make more informed decisions about investing in ESG products,” she said.

The ESG Disclosure Standards for Investment Products will add to CFA Institute’s Global Investment Performance Standards (GIPS®) and the Asset Manager Code™. CFA Institute is calling for volunteers to support the next phase of the Standard’s development.

Lisa Carroll, CEO of CFA Societies Australia, said the CFA Institute understands how important it is to work with the wider investment community across the Asia-Pacific, including Australia, to ensure the investment industry’s views are reflected in the proposed Standard.

"Their input not only safeguards transparency and trust in the Standard, but it ensures the ESG Disclosure Standards for Investment Products will achieve the credibility of CFA Institute’s other standards including the CFA Institute GIPS® and the CFA Institute Asset Manager Code," Carroll said.

The proposed CFA standard will define and classify ESG-related features and establish disclosure requirements and procedures for independent examination. That differs from existing standards that set disclosure requirements for corporate issuers, prescribe requirements for the labeling or rating of securities or investment products, or define best practice for a strategy or approach.

The Consultation Paper was written with the help of a working group of 15 international volunteers who have ESG expertise, as well as experience as asset owners, asset managers, consultants and service providers.

The paper defines ESG-related features as components or capabilities of investment products that can be combined in different ways to meet different investor needs. It goes on to propose definitions for

six ESG-related features, summarised below. The features are expected to serve as a backbone of the Standard.

1. **ESG Integration:** Explicitly considers ESG-related factors that are material to the risk and return of the investment when making investment decisions.
2. **ESG-Related Exclusions:** Excludes securities, issuers, or companies from the investment product based on certain ESG-related activities, business practices, or business segments.
3. **Best-in-Class:** Aims to invest in companies and issuers that perform better than peers on one or more performance metrics related to ESG matters.
4. **ESG-Related Thematic Focus:** Aims to invest in sectors, industries, or companies that are expected to benefit from long-term macro or structural ESG-related trends.
5. **Impact Objective:** Seeks to generate a positive, measurable social or environmental impact alongside a financial return.
6. **Proxy voting, Engagement and Stewardship:** Uses rights and position of ownership to influence issuers' or companies' activities or behaviors.

CFA Institute now seeks input from the wider investment community to help shape an Exposure Draft, an initial version of the ESG Disclosure Standards for Investment Products, which is expected to be released in May 2021.

The Consultation Paper, a response form for providing comments (due by 19 October 2020), and volunteer opportunities (apply by 23 September 2020) can be found [here](#).

#### **Media Contact**

Nicki Bourlioufas

Telephone: +61 786 933

[nicki@spotoncpr.com](mailto:nicki@spotoncpr.com)

#### **About CFA Societies Australia**

CFA Societies Australia is part of the worldwide network of CFA Institute member societies that lead the investment profession globally by promoting the highest standards of ethics, education and professional excellence for the ultimate benefit of society. CFA Societies Australia represents the interests of over 3000 investment professionals through advocacy, education, events, and professional development. For more information visit [www.cfas.org.au](http://www.cfas.org.au), or follow us on Twitter at [@CFASocietiesAus](https://twitter.com/CFASocietiesAus), Facebook at [facebook.com/CFASocietiesAus](https://facebook.com/CFASocietiesAus) or on LinkedIn.

#### **About CFA Institute**

CFA Institute is the global association of investment professionals that sets the standard for professional excellence and credentials. The organization is a champion of ethical behaviour in investment markets and a respected source of knowledge in the global financial community. Our aim is to create an environment where investors' interests come first, markets function at their best, and economies grow. There are more than 170,000 CFA charterholders worldwide in 162 markets. CFA Institute has nine offices worldwide and there are 158 local member societies. For more information, visit [www.cfainstitute.org](http://www.cfainstitute.org) or follow us on Twitter at [@CFAINstitute](https://twitter.com/CFAINstitute) and on [Facebook.com/CFAINstitute](https://facebook.com/CFAINstitute).