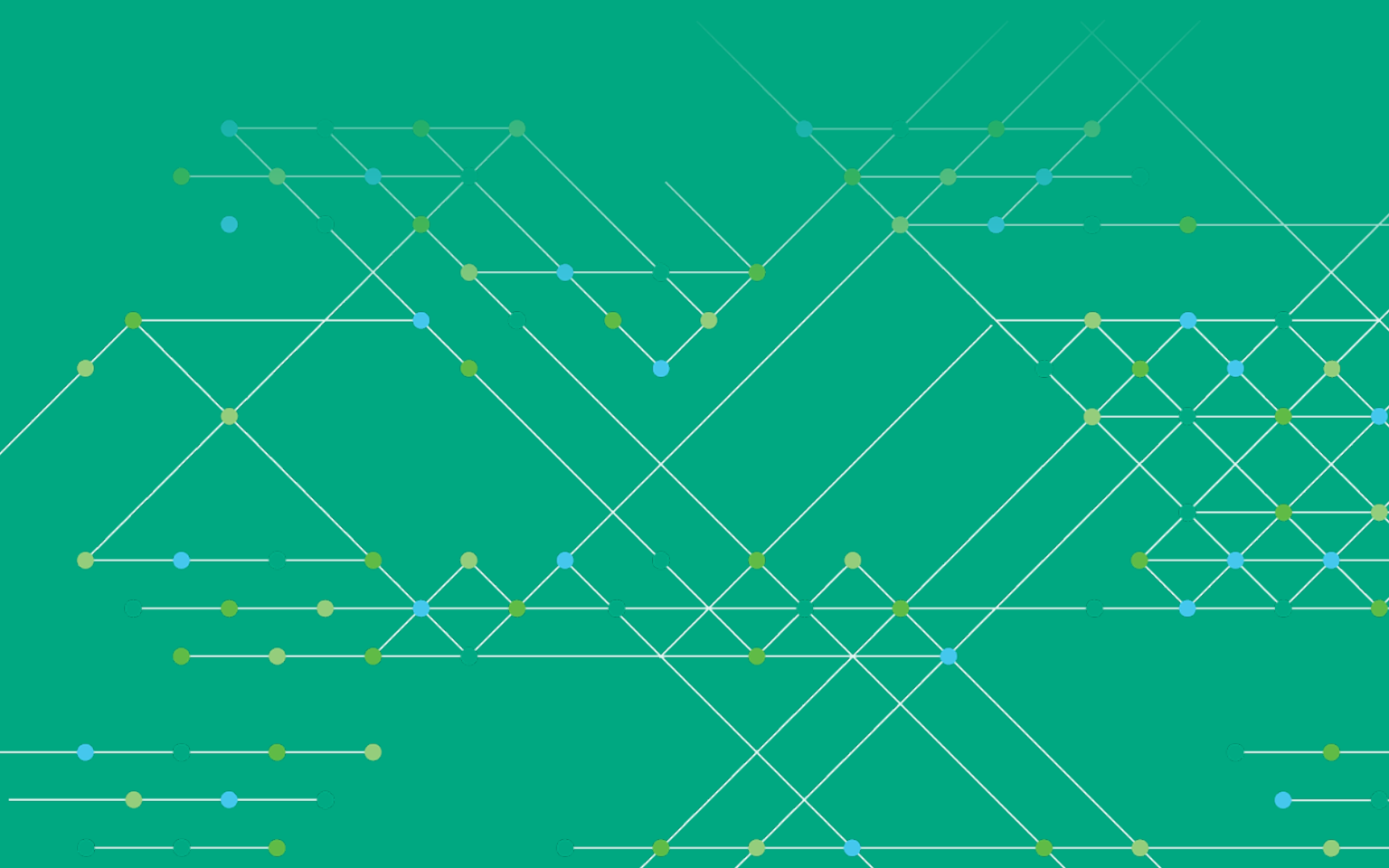




CFA Institute

GLOBAL ESG DISCLOSURE STANDARDS FOR INVESTMENT PRODUCTS

2021

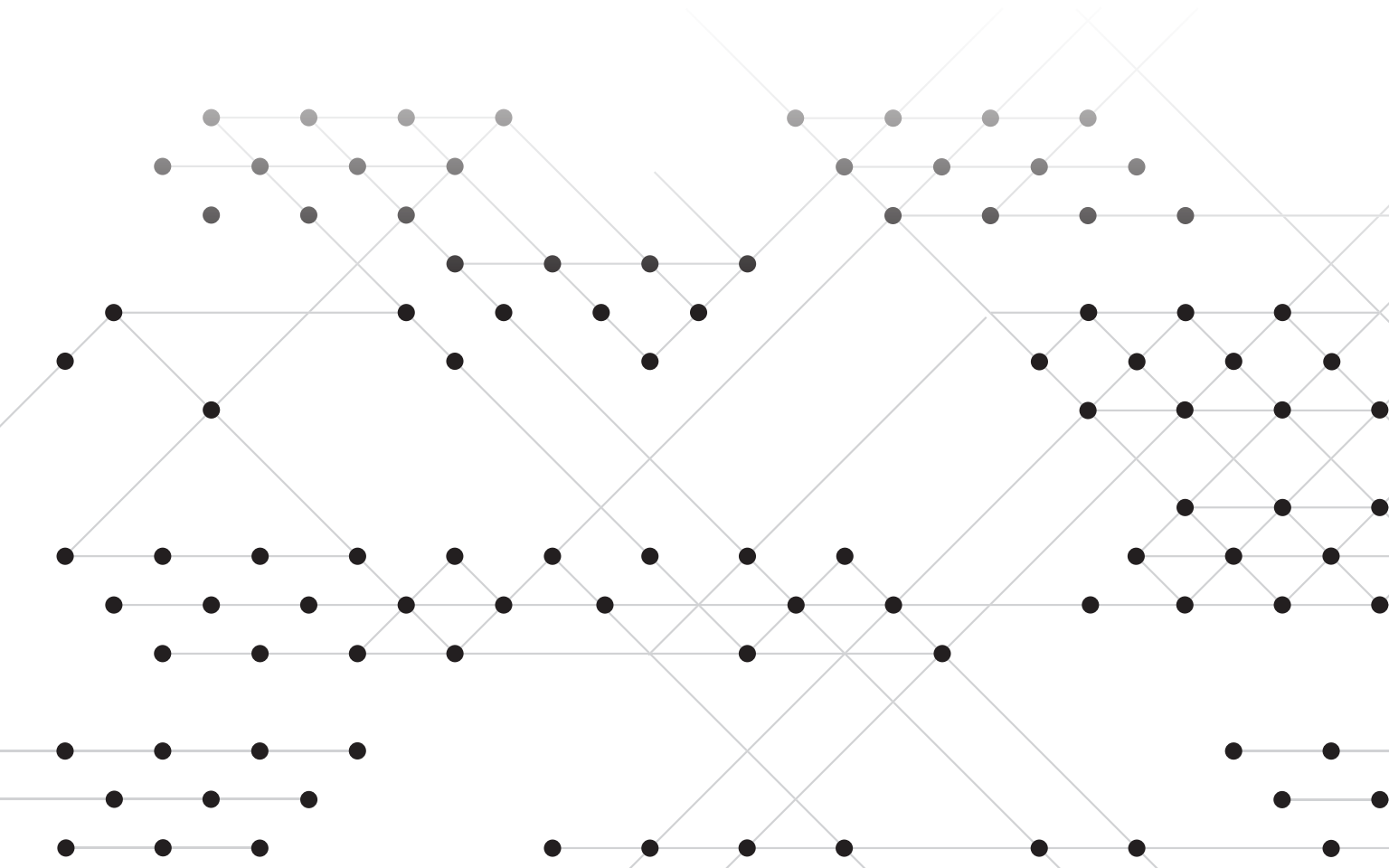




CFA Institute

GLOBAL ESG DISCLOSURE STANDARDS FOR INVESTMENT PRODUCTS

2021



CONTENTS

Preface	v
Introduction	vi
Guiding Principles for Investment Product ESG Disclosures	1
1. Fundamentals of Compliance	2
2. Investment Product ESG Disclosures	4
3. ESG Terminology	9
Glossary	14
Appendix A: Determining the Applicability of Provisions	17
Appendix B: Sample ESG Disclosure Statements	21
Appendix C: Development of the Global ESG Disclosure Standards for Investment Products	36
Appendix D: Relationship to Regulations and Other Codes and Standards	38

PREFACE

All investors have needs and preferences that can be defined in terms of risk tolerance, return objectives, time horizon, and liquidity. A significant number of investors, however, also have needs and preferences that relate to ESG issues. Investors' motivations related to ESG issues vary greatly. Some of the more common motivations stem from a desire to:

- incorporate ethical principles, values, or religious beliefs into investment decisions;
- avoid ESG risks that may negatively affect the value of investments;
- mitigate the negative impacts of investments on the environment and other people; and
- contribute, wholly or partially, to the attainment of specific, positive, measurable environmental or social outcomes.

In response to investors' interest in ESG issues, the investment management industry has developed a variety of approaches for considering ESG issues in an investment product's objectives, investment process, or stewardship activities. More than one ESG approach can be used in a single investment product, and ESG approaches can be used in different ways and to address different ESG issues. As a result, a wide variety of investment products that consider ESG issues are available in the marketplace, and it is very difficult to sort these products into well-defined categories.

In addition, the terminology associated with incorporating ESG approaches into investment products is not standardized. It is not uncommon to see the same term referring to different ESG approaches or types of investment products—or to see different terms referring to the same ESG approach or type of investment products.

The confluence of the aforementioned factors has resulted in an increase in “greenwashing”—that is, a situation in which disclosures or advertising materials intentionally or inadvertently mislead investors about the ESG approaches used in an investment product, the ESG characteristics of an investment product, or the degree of influence that an investment product has on ESG issues. Over time, greenwashing may lead to an erosion of trust in the investment management industry.

The problems of overlapping investment product categorization, non-standardized terminology, and greenwashing are unlikely to be fully addressed by a single solution. Multiple, mutually reinforcing solutions are required if these problems are to be addressed in all markets around the world and for all types of investment products. Regulation is, and will continue to be, a powerful tool. However, educational programs, such as the CFA Institute Certificate in ESG Investing, and industry standards, such as the Global ESG Disclosure Standards for Investment Products, have important roles to play as well.

INTRODUCTION

CFA Institute is a not-for-profit association of investment professionals with the mission of leading the investment profession globally by promoting the highest standards of ethics, education, and professional excellence for the ultimate benefit of society.

The Global ESG Disclosure Standards for Investment Products (the “Standards”) are ethical standards based on the principles of fair representation and full disclosure. They are designed to communicate information about an investment product’s consideration of environmental, social, and governance (ESG) issues in its objectives, investment process, or stewardship activities.

The Standards use the term “ESG” as a descriptor to distinguish information, issues, and approaches that are connected in some form to the environment, society, and corporate governance from information, issues, and approaches that are not. The Standards do not use the term “ESG” as a descriptor to distinguish among different types of investment products, nor do they offer any criteria or guidance for what is or is not an “ESG investment product.”

The Standards use the term “ESG approach” to refer to any one of a variety of methods for considering ESG issues in an investment product’s objectives, investment process, or stewardship activities. This term includes but is not limited to approaches that are often referred to as ESG integration, exclusion, screening, best-in-class, thematic, sustainability themed investing, impact investing, and stewardship.

The Standards use the term “ESG Disclosure Statement” to refer to a document that contains, at a minimum, all of the required disclosures that apply to a specific-investment product.

Purpose and Scope

The purpose of the Global ESG Disclosure Standards for Investment Products is to facilitate fair representation and full disclosure of an investment product’s consideration of ESG issues in its objectives, investment process, or stewardship activities. When investment products’ ESG approaches are fairly represented and fully disclosed, investors, consultants, advisors, and distributors can better understand, evaluate, and compare investment products, and the potential for greenwashing diminishes.

The scope of the Global ESG Disclosure Standards for Investment Products focuses narrowly on disclosure of the ESG approaches used in an investment product. The Standards do not address:

- corporate ESG reporting,
- firm-level ESG disclosures (with an exception related to stewardship activities),

- naming, labeling, or rating of investment products, or
- the content of investment products' periodic reports.

The Standards are “global” in that they have been designed to accommodate:

- all types of investment vehicles—including but not limited to pooled funds, exchange-traded funds (ETFs), strategies for separately managed accounts, limited partnerships, and insurance-based investment products;
- all asset classes—including but not limited to listed equities, fixed income, private equity, private debt, infrastructure, and real estate;
- all ESG approaches—including but not limited to ESG integration, exclusion, screening, best-in-class, thematic, sustainability themed investing, impact investing, and stewardship;
- active and passive strategies; and
- all markets.

Compliance and Independent Assurance

Compliance with the Global ESG Disclosure Standards for Investment Products is voluntary. An investment manager may choose the investment products to which it applies the Standards. An investment manager must take all steps necessary to ensure that it has satisfied all the applicable requirements of the Standards before claiming that an ESG Disclosure Statement complies with the Standards. Implementing adequate internal controls instills confidence in the validity of disclosures as well as the claim of compliance.

An investment manager may choose to have an independent third party provide assurance for one or more of its ESG Disclosure Statements. All requirements and recommendations (other than Provision 1.B.1) for both investment managers and firms conducting assurance engagements will appear in separate assurance procedures for the Global ESG Disclosure Standards for Investment Products.

GUIDING PRINCIPLES FOR INVESTMENT PRODUCT ESG DISCLOSURES

The Global ESG Disclosure Standards for Investment Products are based on the principles of fair representation and full disclosure. When these principles are applied to investment product ESG disclosures, investors are provided with information that is:

- **Complete.**
Investment product ESG disclosures fully disclose information that investors need in order to understand the investment product's ESG approaches. Significant information is not omitted.
- **Reliable.**
Investment product ESG disclosures fairly represent the investment product's ESG approaches. Investment product ESG disclosures are not false or misleading.
- **Consistent.**
Investment product ESG disclosures agree with, and supplement, regulatory disclosures and marketing materials.
- **Clear.**
Investment product ESG disclosures are sufficiently specific and precise to effectively communicate to investors the investment product's ESG approaches.
- **Accessible.**
Investment product ESG disclosures are readily available to investors.

1. FUNDAMENTALS OF COMPLIANCE

A. Fundamentals of Compliance—Requirements

- 1.A.1 The INVESTMENT MANAGER MUST comply with any laws and regulations that apply to the preparation and distribution of an ESG DISCLOSURE STATEMENT.
- 1.A.2 The INVESTMENT MANAGER MUST comply with all REQUIREMENTS of the Global ESG Disclosure Standards for Investment Products, including any INTERPRETIVE GUIDANCE, that apply to a specific INVESTMENT PRODUCT in order to state that the ESG DISCLOSURE STATEMENT for that specific INVESTMENT PRODUCT has been prepared and presented in compliance with the Global ESG Disclosure Standards for Investment Products.
- 1.A.3 An INVESTMENT MANAGER MUST NOT represent or state that an ESG DISCLOSURE STATEMENT is “in compliance with the Global ESG Disclosure Standards for Investment Products except for...” or make any other statements that may indicate partial compliance with the Global ESG Disclosure Standards for Investment Products.
- 1.A.4 The INVESTMENT MANAGER MUST NOT, in an ESG DISCLOSURE STATEMENT:
- present information that is false or misleading;
 - omit significant information about the INVESTMENT PRODUCT’S ESG APPROACHES; or
 - contradict disclosures made in the INVESTMENT PRODUCT’S regulatory documents.
- 1.A.5 The ESG DISCLOSURE STATEMENT MUST cover a minimum period of one year, or the period since inception if the INVESTMENT PRODUCT has existed for less than one year.
- 1.A.6 The INVESTMENT MANAGER MUST document its policies and procedures for:
- establishing and maintaining compliance with the REQUIREMENTS of the Global ESG Disclosure Standards for Investment Products, as well as any RECOMMENDATIONS it has chosen to adopt; and
 - monitoring and identifying changes and additions to the Global ESG Disclosure Standards for Investment Products and INTERPRETIVE GUIDANCE.
- 1.A.7 The INVESTMENT MANAGER MUST capture and maintain documents and records necessary to support the information included in an ESG DISCLOSURE STATEMENT.
- 1.A.8 The INVESTMENT MANAGER MUST notify CFA Institute of its use of the Global ESG Disclosure Standards for Investment Products by submitting the ESG STANDARDS COMPLIANCE NOTIFICATION FORM. This form MUST be filed:
- when the INVESTMENT MANAGER initially completes an ESG DISCLOSURE STATEMENT for any one of its INVESTMENT PRODUCTS; and
 - thereafter annually between 1 January and 30 June.

- 1.A.9** If the INVESTMENT MANAGER chooses to apply the Global ESG Disclosure Standards for Investment Products to a specific INVESTMENT PRODUCT, the INVESTMENT MANAGER MUST make the ESG DISCLOSURE STATEMENT for that specific INVESTMENT PRODUCT available to INVESTORS.
- 1.A.10** The INVESTMENT MANAGER MUST update an INVESTMENT PRODUCT'S ESG DISCLOSURE STATEMENT when:
- a.** changes are made to applicable Global ESG Disclosure Standards for Investment Products REQUIREMENTS or INTERPRETIVE GUIDANCE;
 - b.** the INVESTMENT MANAGER makes changes that affect information included in an ESG DISCLOSURE STATEMENT; or
 - c.** a significant error is found after the ESG DISCLOSURE STATEMENT is made available to INVESTORS.

B. Fundamentals of Compliance—Recommendations

- 1.B.1** The INVESTMENT MANAGER SHOULD obtain independent assurance on its ESG DISCLOSURE STATEMENTS.¹

¹See the Introduction for additional information about compliance and independent assurance.

2. INVESTMENT PRODUCT ESG DISCLOSURES

A. Investment Product ESG Disclosures—Requirements

General

- 2.A.1 If the INVESTMENT MANAGER chooses to apply the Global ESG Disclosure Standards for Investment Products to a specific INVESTMENT PRODUCT, the INVESTMENT MANAGER MUST prepare an ESG DISCLOSURE STATEMENT for that specific INVESTMENT PRODUCT that includes:
- a. the name of the INVESTMENT PRODUCT;
 - b. the name of the INVESTMENT MANAGER;
 - c. the applicable disclosures REQUIRED by the Global ESG Disclosure Standards for Investment Products, except for any disclosures prohibited by law or regulation;
 - d. the period covered by the ESG DISCLOSURE STATEMENT;
 - e. a description of any changes made during the period covered by the ESG DISCLOSURE STATEMENT that are relevant to the applicable disclosures REQUIRED by the Global ESG Disclosure Standards for Investment Products, along with the effective dates of those changes;
 - f. a description of any changes made to the ESG DISCLOSURE STATEMENT within the past year to correct a significant error; and
 - g. the following statement:

“This ESG Disclosure Statement for [Insert period covered by the ESG DISCLOSURE STATEMENT] complies with the disclosure requirements of the Global ESG Disclosure Standards for Investment Products. Additionally, [Insert name of INVESTMENT MANAGER] has complied with the requirements of the Global ESG Disclosure Standards for Investment Products related to the preparation and presentation of this ESG Disclosure Statement.

The Global ESG Disclosure Standards for Investment Products are developed and maintained by CFA Institute. CFA Institute does not endorse or promote this organization, nor does it warrant the accuracy or quality of the content contained herein.”
- 2.A.2 If an INVESTMENT MANAGER is prohibited by law or regulation from making a REQUIRED disclosure in the ESG DISCLOSURE STATEMENT, then the INVESTMENT MANAGER MUST disclose a description of the REQUIRED disclosure that cannot be included and explain why it cannot be included.

- 2.A.3 The INVESTMENT MANAGER MUST disclose a summary description of the ESG APPROACHES used in the INVESTMENT PRODUCT.
- 2.A.4 If the INVESTMENT PRODUCT'S investment process, STEWARDSHIP ACTIVITIES, or objectives systematically address one or more specific ESG issues, then the INVESTMENT MANAGER MUST disclose a summary description of those specific ESG issues.
- 2.A.5 The INVESTMENT MANAGER MUST disclose any third-party ESG-related labels and certifications with which the INVESTMENT PRODUCT complies.

Sources and Types of ESG Information

- 2.A.6 If ESG information is used in an INVESTMENT PRODUCT'S investment process or STEWARDSHIP ACTIVITIES, then the INVESTMENT MANAGER MUST disclose:
 - a. the elements of the investment process or STEWARDSHIP ACTIVITIES that use ESG information and how the ESG information is used;
 - b. a description of the type of ESG information used and a description of the sources from which that ESG information is obtained; and
 - c. the risks and limitations of the ESG information used and how those risks and limitations are managed.

Systematic Consideration of Financially Material ESG Information in Investment Decisions

- 2.A.7 If financially material ESG information is systematically considered in investment decisions, then the INVESTMENT MANAGER MUST disclose:
 - a. how financially material ESG information is typically identified;
 - b. how financially material ESG information is typically incorporated into investment decisions, differentiated by type of investment when necessary; and
 - c. exceptions in which financially material ESG information is not considered in investment decisions, if any.

ESG Investment Universe

- 2.A.8 If the INVESTMENT PRODUCT uses an ESG INDEX as an investment universe, then the INVESTMENT MANAGER MUST disclose:
 - a. either the significant ESG characteristics of the index or, if the index is a readily recognized index, the name of the index; and
 - b. how an INVESTOR can obtain information about the index construction methodology.

Screening

- 2.A.9** If an INVESTMENT PRODUCT has criteria that systematically exclude certain investments or has criteria that need to be met in order for an investment to be considered for inclusion in the portfolio, then the INVESTMENT MANAGER MUST disclose for each criterion:
- a. the characteristic of the investment that is evaluated;
 - b. the threshold or condition against which the characteristic is compared;
 - c. whether the investment is excluded from, or is eligible for inclusion in, the portfolio when the threshold or condition is met; and
 - d. a reference, where applicable, to any law, regulation, or third-party standard, guideline, or framework used in the establishment or evaluation of the criterion.
- 2.A.10** If an INVESTMENT PRODUCT has criteria that systematically exclude certain investments or has criteria that need to be met in order for an investment to be considered for inclusion in the portfolio, then the INVESTMENT MANAGER MUST disclose:
- a. where the criteria are applied in the investment process; and
 - b. the exceptions to the application of the criteria, if any.

Portfolio-Level ESG Characteristics

- 2.A.11** If the INVESTMENT PRODUCT has targets for portfolio-level ESG characteristics, then the INVESTMENT MANAGER MUST disclose for each target:
- a. the portfolio-level ESG characteristic that is evaluated;
 - b. how the portfolio-level ESG characteristic is measured;
 - c. the target value or range for the portfolio-level ESG characteristic;
 - d. how the target portfolio-level ESG characteristic is expected to be attained;
 - e. the risks that could significantly hinder the attainment of the target portfolio-level ESG characteristic, should they occur; and
 - f. a reference, where applicable, to any law, regulation, or third-party standard, guideline, or framework used to measure the portfolio-level ESG characteristic or set the target.
- 2.A.12** If the INVESTMENT PRODUCT uses an ESG INDEX as a point of comparison for portfolio-level ESG characteristics, then the INVESTMENT MANAGER MUST disclose:
- a. the portfolio-level ESG characteristics that are compared with the ESG INDEX;
 - b. either the significant ESG characteristics of the ESG INDEX or, if the ESG INDEX is a readily recognized index, the name of the ESG INDEX; and
 - c. how an INVESTOR can obtain information about the definitions of and calculation methodologies for the ESG characteristics of the ESG INDEX.

2.A.13 If the INVESTMENT PRODUCT has targets for portfolio-level ESG characteristics, then the INVESTMENT MANAGER MUST disclose how progress toward, or attainment of, those targets is reported to INVESTORS.

Portfolio-Level Allocation Targets

2.A.14 If the INVESTMENT PRODUCT has portfolio-level allocation targets for investments that have specific ESG characteristics, then the INVESTMENT MANAGER MUST disclose for each allocation target:

- a. the specific ESG characteristics of the investments for which there is an allocation target; and
- b. the allocation target value or range.

2.A.15 If the INVESTMENT PRODUCT has portfolio-level allocation targets for investments that have specific ESG characteristics, then the INVESTMENT MANAGER MUST disclose how progress toward, or attainment of, those targets is reported to INVESTORS.

Stewardship Activities

2.A.16 The INVESTMENT MANAGER MUST disclose how an INVESTOR can obtain a complete and current copy of all of the policies that govern the INVESTMENT PRODUCT'S STEWARDSHIP ACTIVITIES.

2.A.17 If ESG issues are typically considered when undertaking STEWARDSHIP ACTIVITIES, the INVESTMENT MANAGER MUST disclose:

- a. the types of STEWARDSHIP ACTIVITIES typically undertaken for the INVESTMENT PRODUCT, differentiated by type of investment where necessary;
- b. the ESG issues typically considered when undertaking those STEWARDSHIP ACTIVITIES;
- c. how those STEWARDSHIP ACTIVITIES and ESG issues are relevant to the INVESTMENT PRODUCT'S objectives and investment process; and
- d. the processes and systems that support the STEWARDSHIP ACTIVITIES undertaken for the INVESTMENT PRODUCT.

2.A.18 The INVESTMENT MANAGER MUST disclose how STEWARDSHIP ACTIVITIES for the INVESTMENT PRODUCT are reported to INVESTORS.

Environmental and Social Impact Objectives

- 2.A.19 If investments are made with the intention to generate positive, measurable SOCIAL and ENVIRONMENTAL impact alongside a financial return, then the INVESTMENT MANAGER MUST disclose:
- a. the impact objectives in measurable or observable terms;
 - b. the stakeholders who will benefit from the attainment of the impact objectives;
 - c. the time horizon over which the impact objectives are expected to be attained;
 - d. how the impact objectives are related to other objectives that the INVESTMENT PRODUCT has and how the pursuit of the impact objectives could result in trade-offs with those other objectives;
 - e. how the attainment of the impact objectives will contribute to third-party sustainable development goals, if there is a stated intention to do so;
 - f. the proportion of the portfolio committed to generating SOCIAL and ENVIRONMENTAL impact;
 - g. how the impact objectives are expected to be attained;
 - h. the risks that could significantly hinder the attainment of the impact objectives, should they occur;
 - i. how progress toward, or attainment of, the impact objectives is measured, monitored, and evaluated;
 - j. how progress toward the attainment of the impact objectives is reported to INVESTORS; and
 - k. the process for assessing, addressing, monitoring, and managing potential negative SOCIAL and ENVIRONMENTAL impacts that may occur in the course of attaining the impact objectives.

B. Investment Product ESG Disclosures—Recommendations

[None]

3. ESG TERMINOLOGY

ESG terminology is often a barrier to investors’ understanding of the ESG approaches used in an investment product. Sometimes, investment managers use technical terms that are understood within the investment management industry but are unfamiliar to the average investor. Other times, investment managers use words that have a commonly understood meaning but carry a special meaning when used in the context of ESG investing.

To avoid confusion, an investment manager’s best course of action may be to describe its investment products’ ESG approaches in plain language whenever possible. Sometimes, however, it is helpful to use a specialized term in place of a long phrase. When using a specialized term whose meaning may be unfamiliar to the reader, it is best practice to define the term the first time it is used.

To help investment managers prepare ESG disclosures that are clear to investors, this section includes references for the terms and definitions that tend to cause the most confusion. Following the references are recommendations that apply specifically to the preparation of ESG Disclosure Statements. Investment managers might also choose to follow these recommendations when preparing regulatory disclosures and marketing materials—provided that doing so would not violate any law or regulation.

Although this section is generally organized around various ESG approaches, it should not be assumed that the ESG approaches referred to in this section constitute an exhaustive list of all ESG approaches. Additionally, it should not be assumed that the following ESG approaches are mutually exclusive. An investment product can incorporate more than one ESG approach.

A. ESG Terminology—Requirements

[None]

B. ESG Terminology—Recommendations

ESG Integration

References

“**ESG integration:** The inclusion of ESG considerations within financial analysis and investment decisions. This may be done in various ways, tailored to the investment style and approach of the fund manager.”

—CFA Institute, “Certificate in ESG Investing: Official Training Manual,”
3rd Edition, 2021

“ESG integration: The process of including ESG factors in investment analysis and decisions to better manage risks and improve returns. It is often used in combination with screening and thematic investing.”

—PRI, “Reporting Framework Glossary,” 2021

“ESG integration: The systematic and explicit inclusion by investment managers of environmental, social and governance factors into financial analysis.”

—Global Sustainable Investment Alliance (GSIA),
“Global Sustainable Investment Review 2020,” 2020

- 3.B.1** The INVESTMENT MANAGER SHOULD use the term “ESG integration” in a manner consistent with the previously referenced definitions.
- 3.B.2** The INVESTMENT MANAGER SHOULD provide a definition for the term “ESG integration” the first time the term appears in an ESG DISCLOSURE STATEMENT.

Screening

References

Screening—General

“Screening: The application of filters to lists of potential securities, issuers, investments or sectors to rule investments in or out based on an investor’s preferences, such as ethics and values, and/or investment metrics, such as risk assessments. Screening covers screening conducted under a manager’s policy and client-directed screening.”

—PRI, “Reporting Framework Glossary,” 2021

Screening/Exclusion—Negative screening, ethical screening, faith-based screening

“Ethical and faith-based investment: Ethical (also known as values-driven) and faith-based investment refers to investing in line with certain principles, usually using negative screening to avoid investing in companies whose products and services are deemed morally objectionable by the investor or certain religions, international declarations, conventions or voluntary agreements.”

—CFA Institute, “Certificate in ESG Investing:
Official Training Manual,” 3rd Edition, 2021

“Negative screening/exclusions/negative exclusionary screens: Excluding certain sectors, companies or projects for their poor ESG performance relative to industry peers or based on specific ESG criteria (e.g., avoiding particular products, services or business practices).”

—PRI, “Reporting Framework Glossary,” 2021

“Negative/exclusionary screening: The exclusion from a fund or portfolio of certain sectors, companies, countries or other issuers based on activities considered not investable. Exclusion criteria (based on norms and values) can refer, for example, to product categories (e.g., weapons, tobacco), company practices (e.g., animal testing, violation of human rights, corruption) or controversies.”

—GSIA, “Global Sustainable Investment Review 2020,” 2020

Screening—Norms-based

“Norms-based screening: Screening investments against minimum standards of business practice based on international norms. Widely recognized frameworks for minimum standards of business practice include UN treaties, Security Council sanctions, UN Global Compact, Universal Declaration of Human Rights and OECD guidelines.”

—PRI, “Reporting Framework Glossary,” 2021

“Norms-based screening: Screening of investments against minimum standards of business or issuer practice based on international norms such as those issued by the UN, ILO [International Labour Organization], OECD and NGOs [non-governmental organizations] (e.g., Transparency International).”

—GSIA, “Global Sustainable Investment Review 2020,” 2020

Screening—Positive screening, best-in-class screening

“Best-in-class investment: Best-in-class investment involves selecting only the companies that overcome a defined ranking hurdle, established using ESG criteria within each sector or industry.”

—CFA Institute, “Certificate in ESG Investing: Official Training Manual,” 3rd Edition, 2021

“Positive/best-in-class screening: Investing in sectors, companies or projects selected for their positive ESG performance relative to industry peers.”

—PRI, “Reporting Framework Glossary,” 2021

“Best-in-class/positive screening: Investment in sectors, companies or projects selected for positive ESG performance relative to industry peers, and that achieve a rating above a defined threshold.”

—GSIA, “Global Sustainable Investment Review 2020,” 2020

- 3.B.3** The INVESTMENT MANAGER SHOULD provide a definition for the term “screening” (including variants that refer to a specific type of screening) the first time the term appears in an ESG DISCLOSURE STATEMENT.

Thematic and Sustainability Themed Investing

References

“Thematic investment: Thematic investment refers to selecting companies that fall under a sustainability-related theme, such as clean-tech, sustainable agriculture, healthcare, or climate change mitigation.”

—CFA Institute, “Certificate in ESG Investing: Official Training Manual,” 3rd Edition, 2021

“Thematic investing: The identification and allocation of capital to themes or assets related to certain environmental or social outcomes, such as clean energy, energy efficiency, or sustainable agriculture.”

—PRI, “Reporting Framework Glossary,” 2021

“Sustainability Themed/Thematic investing: Investing in themes or assets specifically contributing to sustainable solutions—environmental and social (e.g., sustainable agriculture, green buildings, lower carbon tilted portfolio, gender equity, diversity).”

—GSIA, “Global Sustainable Investment Review 2020,” 2020

“Sustainable investment: Sustainable investment refers to the selection of assets that contribute in some way to a sustainable economy, i.e., an asset that minimizes natural and social resource depletion. It is a broad term that may be used for the consideration of typical ESG issues and may include best-in-class. It can also include ESG integration, which considers how ESG issues impact a security’s risk and return profile.”

—CFA Institute, “Certificate in ESG Investing: Official Training Manual,” 3rd Edition, 2021

3.B.4 The INVESTMENT MANAGER SHOULD provide a definition for the terms “thematic” and “sustainable” the first time they appear in an ESG DISCLOSURE STATEMENT.

Impact Investing

References

“Impact Investing: Impact investing refers to investments made with the specific intent of generating positive, measurable social and environmental impact alongside a financial return (which differentiates it from philanthropy).”

—CFA Institute, “Certificate in ESG Investing: Official Training Manual,” 3rd Edition, 2021

“Impact investments: Impact investments are investments made with the intention to generate positive, measurable social and environmental impact alongside a financial return.”

—Global Impact Investing Network,
“What You Need to Know about Impact Investing,” 2021

“Impact investing: Investing to achieve positive, social and environmental impacts—requires measuring and reporting against these impacts, demonstrating the intentionality of investor and underlying asset/investee, and demonstrating the investor contribution.”

—GSIA, “Global Sustainable Investment Review 2020,” 2020

“Community investing: Where capital is specifically directed to traditionally underserved individuals or communities, as well as financing that is provided to businesses with a clear social or environmental purpose. Some community investing is impact investing, but community investing is broader and considers other forms of investing and targeted lending activities.”

—GSIA, “Global Sustainable Investment Review 2020,” 2020

- 3.B.5 The INVESTMENT MANAGER SHOULD use the term “impact investments” (and its variants) in a manner consistent with the previously referenced definitions.
- 3.B.6 The INVESTMENT MANAGER SHOULD provide a definition for the term “impact” (and its variants) and the term “impact investments” (and its variants) the first time either term appears in an ESG DISCLOSURE STATEMENT.
- 3.B.7 The INVESTMENT MANAGER SHOULD NOT describe an INVESTMENT PRODUCT as having a positive ENVIRONMENTAL or SOCIAL impact if there is not at least a significant allocation to “impact investments” as defined by the previously referenced definitions.

GLOSSARY

The definitions in this Glossary are specific to the Global ESG Disclosure Standards for Investment Products.

ENVIRONMENTAL	Relating to the quality and functioning of the natural environment and natural systems.
ESG	Abbreviation for “ENVIRONMENTAL, SOCIAL, GOVERNANCE, or some combination thereof.”
ESG APPROACH	One of a variety of methods for incorporating ESG considerations into an INVESTMENT PRODUCT’S objectives, investment process, or STEWARDSHIP ACTIVITIES. This term includes but is not limited to approaches that are often referred to as ESG integration, exclusion, screening, best-in-class, thematic, sustainability themed investing, impact investing, and stewardship.
ESG DISCLOSURE STATEMENT	A document that contains all of the disclosures REQUIRED by the Global ESG Disclosure Standards for Investment Products that apply to a specific INVESTMENT PRODUCT.
ESG INDEX	An index that includes ESG considerations in its index construction methodology.
ESG STANDARDS COMPLIANCE NOTIFICATION FORM	The form REQUIRED to be filed with CFA Institute by an INVESTMENT MANAGER to notify CFA Institute of the INVESTMENT MANAGER’S use of the Global ESG Disclosure Standards for Investment Products.
GOVERNANCE	Relating to the policies and procedures used to direct, control, and monitor companies and other investee entities.
INTERPRETIVE GUIDANCE	Interpretive and explanatory materials related to the Global ESG Disclosure Standards for Investment Products issued by CFA Institute and the Global ESG Disclosure Standards for Investment Products’ governing bodies, including but not limited to guidance statements, interpretations, and Q&As.
INVESTMENT MANAGER	An organization that manages an INVESTMENT PRODUCT.

**INVESTMENT
PRODUCT**

A vehicle managed by an INVESTMENT MANAGER that uses INVESTORS' capital to buy, sell, and hold investments for the benefit of the INVESTOR, including but not limited to the following:

- An investment company, corporation, trust, or other vehicle that allows INVESTORS the ability to pool their capital and invest it collectively (“pooled funds”)—such as open-end and closed-end mutual funds, unit investment trusts, exchange-traded funds (ETFs), Undertakings for the Collective Investment in Transferable Securities (UCITS), and Société d’investissement à Capital Variable (SICAV funds), as well as certain hedge funds, real estate funds, private equity funds, private debt funds, and pension funds.
- A contract between an INVESTOR and an INVESTMENT MANAGER—such as certain insurance-based INVESTMENT PRODUCTS and pension products.
- A limited partnership in which INVESTORS are limited partners and the INVESTMENT MANAGER is the general partner—such as certain hedge funds, real estate funds, and private equity funds.
- An investment strategy by which individually owned accounts are managed.

A vehicle offered by an INVESTMENT MANAGER that is wholly or partially sub-advised is considered an INVESTMENT PRODUCT of that INVESTMENT MANAGER, provided that the INVESTMENT MANAGER has discretion over the selection of the sub-advisor.

Note: The definition of INVESTMENT PRODUCT excludes certain types of financial products, including demand deposit accounts (e.g., checking and saving accounts), brokerage accounts in which clients direct their own trading activity, and all types of property and liability insurance.

INVESTOR

Any person or entity that currently invests in, or that has expressed interest and is qualified to invest in, an INVESTMENT PRODUCT.

Note: The definition of INVESTOR includes retail investors, wealth management clients, and institutional investors. Investment consultants and other third parties are considered to be INVESTORS if they represent individuals or entities that are INVESTORS.

MUST

A provision, task, or action that is mandatory or REQUIRED to be followed. (See “REQUIRE/REQUIREMENT.”)

MUST NOT

A task or action that is forbidden or prohibited.

or

Note: Although not a defined term, the use of the word “or” is inclusive and means “X, or Y, or both” and “X, or Y, or Z, or some combination thereof.” The use of “either...or” is exclusive and means “X or Y, but not both.”

Global ESG Disclosure Standards for Investment Products

RECOMMEND/ RECOMMENDATION	A suggested provision, task, or action that SHOULD be followed or performed. A RECOMMENDATION is considered to be best practice but is not a REQUIREMENT . (See “ SHOULD .”)
REQUIRE/ REQUIREMENT	A provision, task, or action that MUST be followed or performed. (See “ MUST .”)
SHOULD	A provision, task, or action that is RECOMMENDED to be followed or performed and is considered to be best practice but is not REQUIRED .
SHOULD NOT	A task or action that is RECOMMENDED not to be followed or performed and is considered best practice not to do so.
SOCIAL	Relating to the rights, well-being, and interests of people, communities, and society.
STEWARDSHIP ACTIVITIES	Individual or collaborative activities, undertaken by an INVESTMENT MANAGER on behalf of INVESTORS , to protect and enhance the value of an INVESTMENT PRODUCT ’s holdings and to attain an INVESTMENT PRODUCT ’s objectives. STEWARDSHIP ACTIVITIES include but are not limited to engagement with issuers (in all asset classes and for both current and potential investees); voting at shareholder meetings; filing of shareholder resolutions/proposals; direct roles on investee boards and board committees; negotiation with and monitoring of the stewardship actions of suppliers in the investment chain; engagement with policymakers; engagement with standard setters; contributions to public goods (such as research) and public discourse (such as media) that support stewardship goals; and, where necessary, litigation.

APPENDIX A: DETERMINING THE APPLICABILITY OF PROVISIONS

This section provides examples for the purpose of illustrating the disclosure provisions that apply when specific ESG approaches are used in an investment product in a specific manner. These examples are provided as guidance. It is always the responsibility of the investment manager to determine the provisions that apply when preparing an ESG Disclosure Statement for a specific investment product.

It should not be assumed that:

- an example represents any specific investment product,
- the examples together represent an exhaustive list of all ESG approaches, or
- the examples represent mutually exclusive ESG approaches.

The examples provided are deliberately simple in nature and show only one ESG approach per example. In practice, many investment products use a combination of ESG approaches. In such instances, these examples can still be used as a guide. If an investment product, for example, uses the ESG approach illustrated in Example 1 along with the ESG approach illustrated in Example 3, then the applicable provisions for the investment product would be the combination of the applicable provisions shown in Example 1 and Example 3.

Example 1: "ESG Integration" is the Only ESG Approach Used in the Investment Product

Note: This is an illustrative example. It should not be assumed that the following list of characteristics constitutes a minimum set of requirements that an investment product must meet in order to be labeled, classified, or described using the term "ESG integration." Additionally, it should not be assumed that every investment product that is described or classified using the term "ESG integration" has these characteristics.

For this example, the following conditions are assumed:

- Financially material ESG information is systematically considered in investment decisions. ESG information is one type of information in a mosaic of financially material information, and the investment manager uses its discretion to determine how much weight to give ESG information in any particular investment decision.
- The investment manager uses the investment product's position of ownership to influence investees and issuers to disclose ESG information that the investment manager deems financially material.
- No other ESG approaches are used.

In this case, the following provisions apply: 1.A.1–1.A.10; 1.B.1; 2.A.1–2.A.3, 2.A.6, 2.A.7, 2.A.16, 2.A.18; 3.B.1, 3.B.2.

Additional provisions may apply if the investment product varies in any way from the foregoing description. It is always the investment manager’s responsibility to determine the provisions that apply when preparing an ESG Disclosure Statement for a specific investment product.

Example 2: The Investment Product is Passively Managed to an Index Whose Construction Methodology Includes "Faith-based Screening," and No Other ESG Approaches are Used

Note: This is an illustrative example. It should not be assumed that the following list of characteristics constitutes a minimum set of requirements that an investment product must meet in order to be labeled, classified, or described using the term “faith-based screening.” Additionally, it should not be assumed that every investment product that is described or classified using the term “faith-based screening” has these characteristics.

For this example, the following conditions are assumed:

- The investment product uses as an investment universe an ESG index that systematically excludes investments that conflict with certain faith-based principles.
- No other ESG approaches are used.

In this case, the following provisions apply: 1.A.1–1.A.10; 1.B.1; 2.A.1–2.A.4, 2.A.8, 2.A.16, 2.A.18; 3.B.3.

Additional provisions may apply if the investment product varies in any way from the foregoing description. It is always the investment manager’s responsibility to determine the provisions that apply when preparing an ESG Disclosure Statement for a specific investment product.

Example 3: "Norms-based Screening" is the Only ESG Approach Used in the Investment Product

Note: This is an illustrative example. It should not be assumed that the following list of characteristics constitutes a minimum set of requirements that an investment product must meet in order to be labeled, classified, or described using the term “norms-based screening.” Additionally, it should not be assumed that every investment product that is described or classified using the term “norms-based screening” has these characteristics.

For this example, the following conditions are assumed:

- The investment product has a policy to exclude from its portfolio the securities of any company that fails to abide by the United Nations Global Compact (UNGC) principles.
- The investment manager contracts with a third party to provide, on a regular basis, a list of companies that, based on in-depth research, fail to abide by the UNGC principles.
- The companies on the third-party list are flagged on the investment manager's trading system so that users are prevented from purchasing the securities of those companies.
- The companies that are on the third-party list are flagged on the investment manager's portfolio management system. If any of the companies' securities are held by the investment product, the portfolio management team is notified. Per policy, those securities are sold within 60 days.
- No other ESG approaches are used.

In this case, the following provisions apply: 1.A.1–1.A.10; 1.B.1; 2.A.1–2.A.4, 2.A.6, 2.A.9, 2.A.10, 2.A.16, 2.A.18; 3.B.3.

Additional provisions may apply if the investment product varies in any way from the foregoing description. It is always the investment manager's responsibility to determine the provisions that apply when preparing an ESG Disclosure Statement for a specific investment product.

Example 4: The Investment Product has a Focus on "Sustainable" Investments, and No Other ESG Approaches are Used

Note: This is an illustrative example. It should not be assumed that the following list of characteristics constitutes a minimum set of requirements that an investment product must meet in order to be labeled, classified, or described using the term "sustainable." Additionally, it should not be assumed that every investment product that is described or classified using the term "sustainable" has these characteristics.

For this example, the following conditions are assumed:

- The investment product has a policy that defines a sustainable investment to be any security of a company that has at least a 50% alignment with the EU Taxonomy based on turnover, as calculated per the methodology included in the Final Report of the Technical Expert Group on Sustainable Finance, March 2020.
- The investment manager has contracted with a third-party ESG data supplier to provide EU Taxonomy alignment data for companies in the investment product's investment universe.
- The investment product aims to allocate 70% of its funds to sustainable investments.

- Despite an intention to invest in sustainable economic activities, the investment product does not seek to attain specific environmental or social impact objectives.
- No other ESG approaches are used.

In this case, the following provisions apply: 1.A.1–1.A.10; 1.B.1; 2.A.1–2.A.4, 2.A.6, 2.A.14, 2.A.15, 2.A.16, 2.A.18; 3.B.4.

Additional provisions may apply if the investment product varies in any way from the foregoing description. It is always the investment manager’s responsibility to determine the provisions that apply when preparing an ESG Disclosure Statement for a specific investment product.

Example 5: "Engagement" is the Only ESG Approach Used in the Investment Product

Note: This is an illustrative example. It should not be assumed that the following list of characteristics constitutes a minimum set of requirements that an investment product must meet in order to be labeled, classified, or described using the term “engagement.” Additionally, it should not be assumed that every investment product that is described or classified using the term “engagement” has these characteristics.

For this example, the following conditions are assumed:

- The investment product is passively managed to a broad market equity index.
- The investment manager uses engagement to influence company management to improve the company’s policies, practices, and behaviors related to ESG issues.
- No other ESG approaches are used.

In this case, the following provisions apply: 1.A.1–1.A.10; 1.B.1; 2.A.1–2.A.4, 2.A.16–2.A.18.

Additional provisions may apply if the investment product varies in any way from the foregoing description. It is always the investment manager’s responsibility to determine the provisions that apply when preparing an ESG Disclosure Statement for a specific investment product.

APPENDIX B: SAMPLE ESG DISCLOSURE STATEMENTS

The samples below are illustrative examples of ESG Disclosure Statements. The purpose of these samples is to show how the provisions of the Standards can be met for a variety of investment products that use a variety of ESG approaches. The samples are not intended to provide “boilerplate” language for disclosures. Investment managers are responsible for the information they disclose in their ESG Disclosure Statements.

It should not be assumed that:

- a sample represents any specific investment product,
- any portion of any sample will satisfy a specific provision for a specific investment product, or
- disclosures that differ from the ones shown in the samples would not satisfy a specific provision for a specific investment product.

SAMPLE 1

XYZ Equity Strategy ESG Disclosure Statement

This ESG Disclosure Statement for 1 January 2019 through 31 December 2021 complies with the disclosure requirements of the Global ESG Disclosure Standards for Investment Products. Additionally, XYZ Asset Management Company has complied with the requirements of the Global ESG Disclosure Standards for Investment Products related to the preparation and presentation of this ESG Disclosure Statement.

The Global ESG Disclosure Standards for Investment Products are developed and maintained by CFA Institute. CFA Institute does not endorse or promote this organization, nor does it warrant the accuracy or quality of the content contained herein.

Summary

The XYZ Equity Strategy (the “Strategy”) uses ESG integration—the systematic and explicit inclusion of material environmental, social, and governance (ESG) data—in its pursuit of long-term capital growth. We consider financially material ESG data to be part of a comprehensive analysis of security risk and valuation. The XYZ Asset Management Company (“XYZ”) ESG analysis and integration process applies to all equity securities; ESG data are not considered for the Strategy’s money market securities.

The Strategy avoids certain types of investments that contribute in a negative manner to certain ESG issues. In addition, the Strategy excludes investments in companies that derive revenue from thermal coal mining and coal power generation because XYZ believes the coal industry is at significant economic risk as the world transitions to a lower carbon economy.²

XYZ considers ESG issues that are financially relevant to a company when voting proxies and engaging the management of that company.

Sources and Types of ESG Information

The Strategy uses ESG data to evaluate certain exclusion criteria, to analyze investments, and to inform proxy voting and engagement. ESG data is obtained primarily from two third-party ESG data providers, and additional information is obtained as needed through in-house analysis of company reports and regulatory filings as well as other sources, such as industry or nonprofit organizations. XYZ has conducted due diligence on the data collection and data governance processes of its ESG data providers. Because ESG data quality can be inconsistent, samples of the data from external sources are cross-referenced on a quarterly basis against company-disclosed data, other original source data, and between ESG data vendors. Acceptable data variance limits are determined per type of data by XYZ's data scientists. ESG data that exceed the variance limits are evaluated further by XYZ's sustainability analysts to determine which source of data will be used. Financially material ESG data for some companies may be unavailable or may fail to meet XYZ's data quality standards. In these cases, the weight of the company in the portfolio will not exceed 1% of the portfolio's market value, and the weight of all such companies in the portfolio will not exceed 10% of the portfolio's market value.

Screening Related to ESG Issues

XYZ applies exclusions to the Strategy's equity securities. Exclusions are not applied to the Strategy's money market securities. Exclusions are determined based on either industry codes or revenue thresholds. XYZ receives a monthly list from one of its ESG data providers of securities to be excluded from its portfolios based on the defined exclusion criteria. Exclusion criteria are applied at the onset of the security selection screening process. Securities that meet any of the criteria listed below are excluded from the security selection universe. If a current holding is subsequently found to be in violation of XYZ's exclusion criteria, the security will be sold within 60 days.

²The Strategy's investment policy was amended as of 1 January 2020 to exclude companies deriving revenues from thermal coal mining and coal power generation.

Tobacco

- Companies that have a Standard Industrial Classification (SIC) code in Major Group 21. This group includes businesses primarily engaged in manufacturing cigarettes, cigars, smoking and chewing tobacco, snuff, reconstituted tobacco, non-tobacco cigarettes, and in stemming and re-drying tobacco; or
- Companies that earned more than 5% of their annual revenue in their most recent fiscal year from the sale or distribution of cigarettes, cigars, smokeless and chewing tobacco, snuff, and non-tobacco cigarettes.

Alcohol

- Companies that have a Standard Industrial Classification (SIC) code of 2082 (Malt Beverages), 2084 (Wines, Brandy, and Brandy Spirits), or 2085 (Distilled and Blended Liquors); or
- Companies that earned more than 5% of their annual revenues from the sale or distribution of alcoholic beverages in their most recent fiscal year.

Pornography

- Companies that produce or distribute pornography. Zero tolerance revenue threshold.

Gambling

- Companies that earned more than 5% of their annual revenue in their most recent fiscal year from the offering of gambling.

Controversial Weapons

- Companies that produce, distribute, or maintain controversial weapons and key components thereof. Controversial weapons include but are not limited to cluster munitions; anti-personnel landmines; and biological, chemical, and nuclear weapons. The Strategy also complies with Regulation 123-4567, which requires the exclusion of cluster munitions and anti-personnel landmines.

Coal

- Companies that derive revenue from thermal coal mining or coal power generation. Zero tolerance revenue threshold.

Integration of ESG Data into Financial Analysis and Valuation

Identification of Material ESG Issues

In the XYZ investment process, we consider material ESG factors alongside traditional financial factors to provide a more comprehensive view of a security's long-term value and risk potential. Our team of data scientists gathers financial and ESG research and data from multiple sources, including company-issued reports and regulatory filings, industry associations, third-party investment research, market data, and ESG data providers. Our data scientists evaluate all ESG data used in the investment process. Data that is not verifiable or that cannot be reasonably estimated does not meet our data quality standards and is not used in our investment analysis process.

Our sector analysts are responsible for assessing material ESG factors for each industry they cover. They begin by referencing the Sustainability Accounting Standards Board (SASB) standards. These standards are used to identify ESG metrics that are most likely to have a material financial effect on a company's operations based on the industry in which the company operates. Relevant environmental, social, and human capital issues are identified per industry, and our sector analysts consider industry-relevant SASB metrics for each company. This analysis is supplemented by an analysis of a company's unique characteristics, including its geographic location, which can introduce region-specific ESG risks such as climate-change-related risks.

Whereas the importance of certain environmental and social considerations varies greatly across industries, governance considerations remain fairly consistent. Material corporate governance issues evaluated for each company include board structure, independence, and composition; skill sets and level of experience of board directors and members; executive remuneration, and shareholder voting rights.

Finally, ESG data materiality is assessed based on the analyst's estimated investment horizon for an individual security. If an ESG factor is projected to have a negative short-term material effect on a company's valuation, the security may still be purchased or held if the analyst's investment horizon exceeds the projected short-term effect. Conversely, an ESG factor that is expected to have positive material benefits for a company over the long term will not be considered in the valuation of that security if the analyst's investment horizon for the security is short.

Integration of Material ESG Data

Quantitative and qualitative ESG data deemed material to a security's future financial performance are considered by XYZ's sector analysts alongside other material information when assessing historical company performance; making forward-looking estimates of earnings and revenues, operating and non-operating expenses, capital expenditures, and assets and liabilities; and comparing the company with its industry peers. Analysts also assess how well a company understands and manages the identified ESG risks. XYZ has developed a proprietary regression model to estimate the impact of a company's governance factors on its projected performance.

Our analysts may use the output from this model to raise or lower their estimated risk premium for a company.

Consideration of ESG Issues in Proxy Voting and Engagement

XYZ votes company proxies and engages company management for its equity holdings on a firm-wide basis solely in the best interests of our clients, in a manner intended to enhance the economic value of the securities held in the portfolio.

All proxy votes are recorded and stored in the XYZ proxy voting and engagement system. When the Proxy Voting Committee has voted against management on an issue, the engagement team initiates an engagement effort to discuss specific concerns with management via email. The XYZ engagement team also proactively engages with companies to encourage best governance practices, given that poor governance practices have been shown to impact company performance. Once an engagement effort has been initiated, a file is created in the proxy voting and engagement system that includes the company name, the specific issue identified, the targeted outcome, and a copy of the initial written communication. An automatic alert is put in place based on the recommended follow-up time frame. The XYZ engagement team tracks and reviews engagement efforts and progress on an ongoing basis. Continued engagement efforts are determined in accordance with the XYZ engagement policy. All written communications and summaries of meetings with company management are documented and maintained in the centralized internal database. The engagement team provides quarterly updates to portfolio managers and meets with them as needed.

Investors can obtain information about the Strategy's engagement activities and proxies voted and may request a copy of the Strategy's proxy voting and engagement policies and procedures by emailing clientsupport@xyzassetmanagement.com or writing to XYZ Asset Management Company, ATTN: Compliance Department, 1234 Alpha Summit Lane, Suite 1111, New York, NY 10005.

SAMPLE 2

ABC Growth and Income Fund ESG Disclosure Statement

This ESG Disclosure Statement for 1 October 2019 through 31 March 2021 complies with the disclosure requirements of the Global ESG Disclosure Standards for Investment Products. Additionally, ABC Fund Management, Inc. has complied with the requirements of the Global ESG Disclosure Standards for Investment Products related to the preparation and presentation of this ESG Disclosure Statement.

The Global ESG Disclosure Standards for Investment Products are developed and maintained by CFA Institute. CFA Institute does not endorse or promote this organization, nor does it warrant the accuracy or quality of the content contained herein.

Summary

Sustainability is an important consideration for the ABC Growth and Income Fund (the “Fund”). ABC Fund Management defines sustainability as the “the responsible and efficient consumption and management of natural resources that allow future generations to meet their own needs.” Some of the most important sustainability issues include the burning of fossil fuels and the resulting negative effect on global temperatures and climate. ABC Fund Management believes that the companies that use fossil fuels efficiently, implement energy-efficiency projects, or transition to renewable energy sources not only ensure their own continuity but also contribute to a more sustainable economy.

In consideration of these issues, the Fund seeks to achieve its investment objective through a broad market equity and fixed-income portfolio that has:

- at least a 50% lower weighted average carbon intensity (WACI) relative to the Fund’s benchmark, and
- at least 25% of the market value of its fixed-income investments invested in labeled green bonds and Certified Climate Bonds.

Additionally, ABC Fund Management considers relevant climate change and natural resource management issues when voting proxies and engaging with company management.

Key ESG Terms

- *Carbon intensity* measures how efficiently a company uses its carbon resources to generate revenue and allows for comparison of carbon efficiency among companies of different sizes. Carbon intensity is calculated as a company’s Scope 1 + Scope 2 greenhouse gas (GHG) emissions in carbon dioxide equivalents (CO₂e) normalized by USD1 million in revenue.
- *A carbon dioxide equivalent, or CO₂e*, is a measure used to compare the emissions from various greenhouse gases on the basis of their global-warming potential by converting amounts of other gases to the equivalent amount of carbon dioxide with the same global warming potential. (Source: Eurostat, based on a report from the European Environmental Agency)
- *Scope 1 emissions* are direct GHG emissions from sources owned or controlled by the company.
- *Scope 2 emissions* are indirect GHG emissions generated by the company’s consumption of purchased electricity, heating, steam, and cooling.

- *Labeled green bonds* are bonds that earmark proceeds for climate or environmental projects and have been labeled as “green” by the issuer. (Source: Climate Bonds Initiative)
- *Certified Climate Bonds* are bonds and loans that are verified to conform with the Climate Bonds Standard, science-based standards for identifying projects and assets that are consistent with the Paris Agreement goals for a low-carbon economy. (Source: Climate Bonds Initiative)

Key ESG Data Used by the Fund

ABC Fund Management obtains carbon intensity data on companies in the Fund’s universe from an ESG data provider. A company’s Scope 1 and Scope 2 emissions and revenue are used to calculate its carbon intensity. Not all companies report their GHG emissions. If a company does not report its Scope 1 and Scope 2 emissions, the Fund’s ESG data provider estimates the non-reported emissions using proprietary models. No universal method exists for estimating the GHG emissions of a company, and thus carbon intensity measures for individual companies can vary greatly among data providers. ABC Fund Management has chosen a data provider that obtains emissions data from multiple sources (including company-reported data, third party data, and its own proprietary estimates) and whose combined Scope 1 and Scope 2 company emissions estimates have been demonstrated to generally correlate well with those of other data providers.

Portfolio-Level ESG Characteristics and Allocation Target

Carbon Intensity Target

The weighted average carbon intensity of the Fund is the aggregate carbon intensity of the Fund’s holdings according to the percentage weighting of each holding in the Fund. The WACI target is recalculated quarterly to reflect changes in the WACI of the benchmark indexes. To achieve the Fund’s investment objective as well as its WACI target, the Fund invests in companies with attractive valuations and lower carbon intensity relative to industry peers. At times, the WACI target may not be attained because of natural variations in the carbon intensity of index constituents and changes made to index constituents. The Fund’s WACI and WACI target are reported to investors in quarterly fund reports available on the Fund’s [website](#).

Target Allocation to Labeled Green Bonds and Climate Bonds

The Fund aims to invest at least 25% of the market value of its fixed-income holdings in labeled green bonds and Certified Climate Bonds. The Fund’s allocation to labeled green bonds and Certified Climate Bonds is reported to investors in quarterly fund reports available on the Fund’s [website](#).

Proxy Voting and Engagement

The Fund's proxies are voted in accordance with the Fund's Proxy Voting Guidelines. Proxies are voted for all equity holdings of the Fund. Issues related to climate change and natural resource management are considered when voting on routine items, such as the election of directors, because ABC Fund Management believes prudent management of environmental issues can positively affect a company's financial performance and help mitigate climate change. Records of all proxy votes cast or abstained are maintained in our stewardship management system.

The Fund's Engagement Policy applies to its equity and fixed-income holdings. Engagement is undertaken with the intent to promote efforts to improve a company's carbon emissions and natural resource management. Engagement activities include in-person and virtual meetings, written correspondence, and emails. The Fund's engagement officer flags companies and issues for engagement. Once an engagement effort is initiated, all written communications and meeting records, including targeted outcomes of the engagement, are logged in the stewardship management system. Engagement may occur with a company's board of directors, executive management, or investor relations and may be conducted independently or in collaboration with other investors through the Fund's proxy voting and engagement service provider. On a quarterly basis, the Fund's engagement officer reviews progress made toward engagement goals relative to the targeted outcomes and determines next steps in accordance with the Engagement Policy.

The Proxy Voting Guidelines and Engagement Policy can be found on the Fund's [website](#). ABC Fund Management also publishes an annual Proxy Voting and Engagement Report on the Fund's [website](#) that includes the past year's engagement priorities, progress on current engagements, and proxy voting activity.

SAMPLE 3

BCD Direct Investment Fund ESG Disclosure Statement

This ESG Disclosure Statement for 1 November 2020 through 31 October 2021 complies with the disclosure requirements of the Global ESG Disclosure Standards for Investment Products. Additionally, BCD Investing Ltd. has complied with the requirements of the Global ESG Disclosure Standards for Investment Products related to the preparation and presentation of this ESG Disclosure Statement.

The Global ESG Disclosure Standards for Investment Products are developed and maintained by CFA Institute. CFA Institute does not endorse or promote this organization, nor does it warrant the accuracy or quality of the content contained herein.

Summary

The BCD Direct Investment Fund (the “Fund”) was created to help prevent biodiversity loss in critical habitats and ecosystems in South America. Through its impact investments,³ the Fund seeks to contribute to UN Sustainable Development Goal 15: *Protect, restore and promote sustainable use of terrestrial ecosystems, sustainably manage forests, combat desertification, and halt and reverse land degradation and halt biodiversity loss*. South America is home to some of the most diverse ecosystems on the planet and also some of the most endangered. These habitats promote economic stability and growth, contribute to sustainable food sources and income for area inhabitants, and combat climate change. Biodiversity loss occurs for a number of reasons, including extensive deforestation and exploitive land management practices. The Fund provides a vehicle for investors to address these environmental challenges while earning a return on investment.

The BCD Direct Investment Fund intends to invest the Fund’s £125 million of committed capital in direct equity and debt in enterprises that provide solutions to protect and restore fragile ecosystems and habitats through sustainable forestry and land management practices. The Fund does not invest in companies that do not meet our Responsible Investing Policy. In addition to supplying capital, BCD Investing Ltd. (“BCD”) seeks to determine or influence the formulation of company policies related to biodiversity preservation as well as the Fund’s Responsible Investment Policy through appropriate governance structures.

The Fund is a Signatory to the Operating Principles for Impact Management.

Objectives

The Fund seeks to generate its target internal rate of return (IRR) and meet key performance indicators (KPIs) for the Fund’s environmental objectives over the life of the Fund. The expected life of the Fund is 10 years. Through its investments, the Fund expects to benefit area inhabitants who depend on the health of these ecosystems for income as well as wildlife that rely on these ecosystems for survival. On a broader scale, preservation of South American biodiversity and forests has important implications for society at large, including but not limited to climate mitigation from the prevention of the release of greenhouse gas emissions, a reduction in food insecurity from the implementation of sustainable agricultural practices, and the preservation of a rich source of natural resources that have yielded important medicinal solutions.

The Fund uses the IRIS⁴ metrics shown below to establish impact performance goals for investments and measure biodiversity impact outcomes. We believe sustainable forestry and

³**Impact investments:** Impact investments are investments made with the intention to generate positive, measurable social and environmental impact alongside a financial return.”

—Global Impact Investing Network, “What You Need to Know about Impact Investing,” 2021 (<https://thegiin.org/impact-investing/need-to-know/%23s2>)

⁴Information on IRIS metrics can be found at <https://iris.thegiin.org/>

land management practices will be key drivers of value creation for the Fund’s investments and that attainment of the impact performance goals below will help the Fund achieve its target IRR. Progress toward these outcomes is measured and evaluated annually. If an investee or financed project fails to achieve measurable progress, as determined by annual metrics established prior to investment, our Sustainability Team will consult with management to establish a plan of corrective action.

KPI	IRIS Metric	Impact Performance Goal
1	Forest Management Plan–0I2622	200,000 hectares sustainably managed
2	Land Directly Controlled: Sustainably Managed–0I6912	300,000 hectares sustainably managed

Investment Process

The Fund seeks to invest its capital in enterprises that provide sustainable solutions for forestry products, soft commodity production, and smallholder agricultural practices. As a supplier of capital to companies that may otherwise be unable to obtain funding, the Fund contributes to the mitigation of biodiversity loss in South America.

Prior to making an investment, BCD assesses potential investees or issuers first for the likelihood of achieving predetermined KPIs related to biodiversity loss mitigation and second for the ability to contribute to the achievement of the target IRR over the life of the Fund. To meet the Fund’s impact objectives, it may be necessary at times for the Fund to prioritize investments with a greater potential for impact relative to financial performance. The Fund will engage in these trade-offs while striving to achieve an IRR within the stated target range. All potential investments are also assessed in accordance with our Responsible Investment Policy (see “Responsible Investment Policy” section), and no investments will be made in enterprises that violate this policy.

Risks to Achieving the Fund’s Impact Objectives

Several risks may hinder the achievement of the Fund’s impact objectives. There is a risk that one or more of the sustainable forest management or technological solutions used by enterprises in which the Fund invests may prove ineffective. The Fund may invest in start-up ventures; there is a risk that one or more new ventures may exhaust their supply of capital before one or more of the Fund’s impact objectives are achieved. There is a risk that natural disasters may affect the output of certain investees. There is a risk that political interference may hinder the attainment of one or more impact objectives. There is a risk that the Fund may be unable to identify a sufficient number of enterprises and projects in which to invest in order to meet its impact objectives.

Responsible Investment Policy

Before an investment in an enterprise or project can be made, the BCD due diligence process ensures the investment conforms to our Responsible Investment Policy by avoiding investments in enterprises or projects that:

- violate the United Nations Global Compact principles,
- unlawfully infringe on the ownership or claimant rights of an indigenous people as set forth by the United Nations Declaration of Rights of Indigenous Peoples,
- violate sustainable agricultural and forest management processes as specified in contractual shareholder agreements and debt covenants.

Adherence to this Responsible Investment Policy is monitored as part of our quarterly review of portfolio holdings. We conduct ad hoc meetings with and visits to underlying companies and projects in order to assess and monitor the level and quality of impact being generated and the adherence to our Responsible Investment Policy. If, during our monitoring and review process, we identify negative impact concerns, as specified by our Responsible Investment Policy, our Sustainability Team will engage with management to identify solutions and take corrective actions. If such efforts prove unsuccessful, we will evaluate the feasibility of selling the enterprise or loan in the secondary market given the estimated value of the investment and the secondary market conditions.

Reporting

Financial information at the Fund level and investee level is reported quarterly, and progress on KPIs at the Fund level and investee level is reported annually. Investors may access all Fund reports through a secure client portal on our website 90 days past quarter end.

Stewardship

BCD uses its position as a contributor of capital to set impact objectives and promote adherence to the Fund's Responsible Investment Policy for its investee companies through appropriate governance structures. When taking a controlling stake in an investment, BCD will hold a majority of the seats on the board of governors to set company policy consistent with these goals. When making minority investments, BCD seeks to hold a seat on each company's board of directors in order to influence policy formation goals and Responsible Investment Policy actions as set forth in the shareholder agreement. When making direct loans, the Note Purchasing Agreement will contain covenants determining investee impact objectives and specific actions required and prohibited in accordance with the Fund's Responsible Investment Policy practices. For current investors in the Fund, the Fund's Stewardship Policy and annual reports describing stewardship activities can be accessed through the secure client portal. Prospective investors may request a copy of the Fund's Stewardship Policy by emailing BCDInvesting@BCDInvestingLtd.com.

SAMPLE 4

QRS Equity Fund ESG Disclosure Statement

This ESG Disclosure Statement for 1 July 2020 through 30 June 2021 complies with the disclosure requirements of the Global ESG Disclosure Standards for Investment Products. Additionally, QRS Asset Management Co., Inc. has complied with the requirements of the Global ESG Disclosure Standards for Investment Products related to the preparation and presentation of this ESG Disclosure Statement.

The Global ESG Disclosure Standards for Investment Products are developed and maintained by CFA Institute. CFA Institute does not endorse or promote this organization, nor does it warrant the accuracy or quality of the content contained herein.

Fund Objectives

The objectives of the QRS Equity Fund (the “Fund”) are to (1) achieve an equity market rate of return over a long-term investment horizon, and (2) actively engage with portfolio companies to encourage them to reduce their greenhouse gas (GHG) emissions to levels consistent with a 1.5 degree Celsius warming limit, by 2030, in alignment with targets set by the Paris Agreement. Through its impact investing⁵ efforts to achieve a measurable reduction in portfolio company GHG emissions, the Fund aims to contribute to the achievement of the United Nations Sustainable Development Goal 13, Climate Action: *Take urgent action to combat climate change and its impacts.*

Summary

Global warming affects many aspects of life on the planet, including human life, life on land, and life below water. In order to meet the Paris Agreement goals, global GHG emissions must be reduced to 50% of 2005 emissions by 2030 and to net zero emissions by 2050. The Fund aims to contribute to the mitigation of global warming by investing in companies with GHG emissions that exceed limits consistent with the Paris Agreement and using active engagement to bring about a reduction in company emissions in line with a 1.5 Celsius degree warming scenario. GHG emissions reduction targets and engagement goals for each of the Fund’s portfolio companies are determined prior to investment.

⁵**Impact Investing:** Impact investing refers to investments made with the specific intent of generating positive, measurable social and environmental impact alongside a financial return (which differentiates it from philanthropy)."

—CFA Institute, “Certificate in ESG Investing: Official Training Manual,” 3rd Edition, 2021

Climate Data Sources and Limitations

We use external vendors and non-profit organizations to supply Scope 1 (direct) and Scope 2 (indirect) emissions,⁶ either company-reported or vendor-estimated, for companies in the Fund's universe, as well as carbon intensity for each company. Carbon intensity is defined as the company's most recent reported or estimated Scope 1 + Scope 2 greenhouse gas emissions⁷ in carbon dioxide equivalents⁸ (CO₂e) normalized by USD1 million in revenue (metric tons of CO₂e per USD1 million in sales). Carbon intensity measures a company's energy efficiency.

Because company GHG emissions data are not standardized (and further subject to estimation error when not company-reported), the data sets we work with may imperfectly represent companies' true GHG emissions. Additionally, the company emissions targets that we set are based on model assumptions and estimations that carry the inherent risk associated with any modeling or estimating process.

Impact Strategy

Security selection begins with ranking companies in the Fund's universe within their industries according to their carbon intensity and analyzing the feasibility of using engagement to facilitate a meaningful reduction in GHG emissions. Financial analysis screens are applied to arrive at a set of securities that have the potential to meet both the Fund's financial and impact objectives. The Fund typically limits holdings to between 30 and 50 companies to provide for ongoing active and meaningful engagement with each company.

The Fund's sustainability analysts use a combination of data from third-party providers, non-profit organizations, and internal research to set individual, science-based, forward-looking GHG emissions targets for each investee. Both interim and long-term engagement goals may be set for a company, including but not limited to the following:

- Begin reporting on Scope 1 and Scope 2 emissions
- Achieve a target GHG emissions level
- Achieve a target carbon intensity measure
- Link executive compensation to achievement of the GHG emissions goal

Securities may be sold from the Fund if it is determined to be unlikely that a GHG emissions target for a company will be achieved or if it is believed that the company is no longer able to contribute to the Fund's financial objective. It may be necessary at times to invest in securities that

⁶Scope 1 emissions are direct GHG emissions from sources owned or controlled by the company. Scope 2 emissions are indirect GHG emissions arising from the use of purchased energy.

⁷The primary sources of GHGs are carbon dioxide (CO₂), methane (CH₄), and nitrous oxide (N₂O).

⁸A carbon dioxide equivalent, or CO₂e, refers to the number of metric tons of CO₂ emissions with the same global warming potential as one metric ton of another greenhouse gas.

will help the Fund meet its financial objective but that may not meet the Fund's impact objective. These securities will be limited to 20% or less of the Fund's market value.

The Fund's Sustainability Team monitors investee's impacts on biodiversity, water, waste, and human rights to ensure GHG emissions targets are not attained through a negative impact on other key ESG issues. There is a risk that a company in which the Fund invests subsequently generates an adverse social or environmental impact or event. In these instances, the Fund's Sustainability Team, in conjunction with the Fund's portfolio managers, determines whether to sell the security or whether to engage with the company in an attempt to mitigate the adverse consequences.

There is a risk that engagement efforts will not achieve the engagement goals set for a company. A company may choose not to respond to engagement efforts, or the company may experience a change in economic circumstances or a change in management that affects its ability or willingness to address GHG emissions reductions. In addition, there is a risk that an error was made in our emissions target and that the GHG emissions goal for a company or companies is not feasible.

Stewardship

Proxies are voted and engagement efforts are undertaken for all portfolio companies. Proxy voting may support either the Fund's financial objective or its impact objective. When voting in support of the Fund's impact objective, certain environmental and social issues are prioritized, including issues relating to climate change mitigation efforts, transparency in reporting of environmental and social metrics, and linking executive pay to certain ESG metrics.

Engagement is conducted in the form of written communications, collaborative engagement, and one-to-one meetings with representatives from a company's board of directors and management, investor relations, or sustainability team. By engaging with a company's board of directors or management to achieve a targeted reduction in reported GHG emissions, the Fund aims to have positive, measurable real-world outcomes that contribute to the Paris Agreement goals.

Engagement goals and GHG emissions targets for each portfolio company are logged into our stewardship engagement system, and engagement activities are tracked throughout the life of the holding. Achievement of engagement goals and GHG emissions targets is typically expected to be attained over a period of several years. Progress toward an emissions target may be measured through the achievement of interim goals or by the measurement of GHG emissions on a glidepath toward a targeted emissions level. Information about GHG emissions levels and carbon intensity for all holdings can be found in quarterly reports on the Fund's [website](#).

The QRS Stewardship Team meets quarterly to review company progress and engagement responses. For some companies, engagement begins with the intent to achieve a short-term goal, such as the initiation of reporting Scope 1 and 2 emissions or to educate management on pathways to achieve a reduction in GHG emissions in order to obtain a later commitment to reduce GHG

emissions. For other companies, a significant reduction in GHG emissions is the only impact metric. If the Stewardship Team determines that a company is not making sufficient progress toward a target or goal, engagement is escalated according to the Fund's Engagement Policy.

The Fund's Proxy Voting Policy and Guidelines, Engagement Policy, and Annual Engagement Impact Reports are available to investors on the Fund's [website](#). Annual Engagement Impact Reports contain information on companies engaged with during the previous calendar year and the method of engagement, issues engaged on, progress toward GHG emissions targets and engagement goals, outlook for future engagement efforts, and tons of GHG emissions avoided per USD100 million at the Fund level. Investors may obtain information on proxies voted by writing to proxyvoting@QRSAssetManagement.com.

APPENDIX C: DEVELOPMENT OF THE GLOBAL ESG DISCLOSURE STANDARDS FOR INVESTMENT PRODUCTS

CFA Institute began exploring the need for ESG standards in 2019. Preliminary research indicated a need for standards in the areas of investment product disclosure and classification related to ESG approaches.

In January 2020, CFA Institute formed a volunteer ESG Working Group to explore concepts for voluntary global standards. The application process was open to anyone with the required level of ESG and investment industry experience. Volunteers were not required to be CFA charterholders or members of CFA Institute. Members were selected such that the group consisted of ESG experts from around the world and from various types of organizations, including asset owners, investment managers, consultants, service providers, and not-for-profit organizations. The ESG Working Group's efforts led to the August 2020 publication of the Consultation Paper on the Development of the CFA Institute ESG Disclosure Standards for Investment Products.⁹ The Consultation Paper solicited feedback on the concepts proposed by the ESG Working Group. The ESG Working Group's planned one-year term ended in January 2021.

In November 2020, CFA Institute formed two new volunteer bodies, the ESG Technical Committee and the ESG Verification Subcommittee. These standing bodies have been, and will continue to be, responsible for guiding the development of the Standards. The ESG Technical Committee is responsible for guiding the development of the Standards' provisions—that is, its requirements and recommendations. The ESG Verification Subcommittee is responsible for guiding the development of the Standards' assurance procedures. As with the ESG Working Group, the application process was open to anyone with the required level of ESG and investment industry experience, and members were selected for expertise and a diversity of perspectives. The ESG Technical Committee's efforts led to the May 2021 publication of the Exposure Draft of the CFA Institute ESG Disclosure Standards for Investment Products.¹⁰ The Exposure Draft solicited

⁹The Consultation Paper on the Development of the CFA Institute ESG Disclosure Standards for Investment Products represents the overall views of CFA Institute and the ESG Working Group. Although it represents such a consensus, it may not necessarily, with respect to all details, represent the individual views of Working Group members or their employers.

¹⁰The Exposure Draft of the CFA Institute ESG Disclosure Standards for Investment Products represents the overall views of CFA Institute and the ESG Technical Committee. Although it represents such a consensus, it may not necessarily, with respect to all details, reflect the individual views of ESG Technical Committee members or their employers.

feedback on a draft version of the Standards. The ESG Verification Subcommittee's efforts led to the July 2021 publication of the Exposure Draft of the Verification Procedures of the CFA Institute ESG Disclosure Standards for Investment Products,¹¹ which solicited feedback on a draft version of the assurance procedures.

¹¹The Exposure Draft of the Verification Procedures for the CFA Institute ESG Disclosure Standards for Investment Products represents the overall views of CFA Institute and the ESG Verification Subcommittee. Although it represents such a consensus, it may not necessarily, with respect to all details, reflect the individual views of ESG Technical Committee members or their employers.

APPENDIX D: RELATIONSHIP TO REGULATIONS AND OTHER CODES AND STANDARDS

During the development of the Standards, CFA Institute staff reviewed approximately 125 regulations, principles, codes, standards, guides, reports, white papers, methodologies, classifications, labels, assessment tools, and questionnaires. The following regulations, frameworks, codes, and standards are the most relevant to the Standards insofar that the Standards have been designed to be complementary to them to the extent such was deemed feasible and practical given the purpose and scope of the Standards.

European Union (EU) Sustainable Finance Disclosure Regulation (SFDR)

Both the Standards and SFDR aim to foster transparency in investment product disclosures. Because SFDR is part of the EU's action plan for financing sustainable growth, SFDR also has the goals of reorienting capital flows towards sustainable investment, mainstreaming sustainability into risk management, and fostering long-termism in financial and economic activity. The Standards do not have these additional goals.

Because SFDR focuses on sustainability, it has more requirements than the Standards for the disclosure of sustainability-related information. Because the Standards aim to address all investment products that incorporate one or more ESG approaches, they can be applied to investment products that are not necessarily promoted as “sustainable”—for example, faith-based investment products and some impact investment products.

Regarding the scope of disclosures, three key differences exist between SFDR and the Standards. First, SFDR requires both entity-level disclosures and product-level disclosures, whereas the Standards require only product-level disclosures. Second, SFDR has disclosure requirements related to an investment product's ESG approaches and periodic reporting; the Standards cover only an investment product's ESG approaches. Third, SFDR has distinct disclosure requirements for regulatory documents and for websites; the Standards require only one set of disclosures, which can be provided to investors in multiple ways.

Other Investment Product ESG Disclosure Codes and Standards

There are three voluntary frameworks¹² that focus on transparency and comparability for certain types of investment products—the European SRI Transparency Code (for European retail funds), the Operating Principles for Impact Management (for impact strategies), and the INREV

¹²As of 1 November 2021.

Sustainability Reporting Guidelines (for non-listed real estate strategies). These three efforts address a number of important disclosure topics, many of which the Standards address as well. Those who are familiar with these frameworks will recognize their positive influence on the development of the Standards. Yet even when combined, these three frameworks do not cover all types of investment products and all regions. The Global ESG Disclosure Standards for Investment Products address both fragmentation (i.e., multiple standards that address only certain parts of the global investment product market) and gaps (i.e., those markets and types of investment products for which no standards exist) in the current state of ESG disclosures.

CFA Institute Codes and Standards

The Standards are consistent with the CFA Institute Code of Ethics and Standards of Professional Conduct. All members of CFA Institute (including CFA charterholders and CIPM certificants), as well as candidates for the CFA designation and the CIPM certificate, must adhere to the CFA Institute Code of Ethics and Standards of Professional Conduct. The CFA Institute Code of Ethics and Standards of Professional Conduct state, in part, that members and candidates must do the following:

- Disclose to clients and prospective clients the basic format and general principles of the investment processes they use to analyze investments, select securities, and construct portfolios and promptly disclose any changes that might materially affect those processes. (V.B.1)
- Disclose to clients and prospective clients significant limitations and risks associated with the investment process. (V.B.2)
- Use reasonable judgment in identifying which factors are important to their investment analyses, recommendations, or actions, and include those factors in communications with clients and prospective clients. (V.B.3)
- Distinguish between fact and opinion in the presentation of investment analysis and recommendations. (V.B.4)

Although the Global ESG Disclosure Standards for Investment Products are consistent with the CFA Institute Code of Ethics and Standards of Professional Conduct, this fact does not imply that members of CFA Institute, CFA charterholders, CIPM certificants, and candidates for the CFA designation and the CIPM certificate must comply with the Global ESG Disclosure Standards for Investment Products. (In fact, individuals cannot claim an ESG Disclosure Statement complies with the Global ESG Disclosure Standards for Investment Products—only investment management organizations can claim an ESG Disclosure Statement complies with the Global ESG Disclosure Standards for Investment Products.) Members of CFA Institute, CFA charterholders, CIPM certificants, and candidates for the CFA designation and the CIPM certificate will not be held accountable or penalized by CFA Institute if the organization that they work for or own does

not prepare and make available ESG Disclosure Statements in compliance with the Global ESG Disclosure Standards for Investment Products.

The Standards are also consistent with the CFA Institute Asset Manager Code, a voluntary principles-based code that outlines a firm's ethical and professional responsibilities to clients. The CFA Institute Asset Manager Code states, in part, that investment managers must do the following:

- Ensure that disclosures are truthful, accurate, complete, and understandable and are presented in a format that communicates the information effectively. (F.1)
- Disclose the investment process, including information regarding lock-up periods, strategies, risk factors, and use of derivatives and leverage. (F.4.c)
- Disclose valuation methods used to make investment decisions and value client holdings. (F.4.g)
- Disclose shareholder voting policies. (F.4.h)

Although the Global ESG Disclosure Standards for Investment Products are consistent with the CFA Institute Asset Manager Code, this fact does not imply that asset managers who claim compliance with the Asset Manager Code must comply with the Global ESG Disclosure Standards for Investment Products, or vice versa. However, the Global ESG Disclosure Standards for Investment Products do offer detailed guidance about how to fulfill Asset Manager Code requirements when an investment product uses one or more ESG approaches.

CFA®, Chartered Financial Analyst®, CIPM®, and Financial Analysts Journal are some of the trademarks owned by 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 behavior 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.

