



ESG Disclosure Standards for Investment Products

November 2020

MISSION STATEMENT

To lead the investment profession globally by promoting the highest standards of ethics, education, and professional excellence for the ultimate benefit of society.

CFA INSTITUTE CODES AND STANDARDS

 CFA Institute

CODE OF ETHICS AND STANDARDS OF PROFESSIONAL CONDUCT

PREAMBLE

The CFA Institute Code of Ethics and Standards of Professional Conduct are fundamental to the values of CFA Institute and essential to achieving its mission to lead the investment profession globally by promoting the highest standards of ethics, education, and professional excellence for the ultimate benefit of society. High ethical standards are critical to maintaining the public's trust in financial markets and in the investment profession. Since their creation in the 1960s, the Code and Standards have promoted the integrity of CFA Institute members and served as a model for measuring the ethics of investment professionals globally, regardless of job function, cultural differences, or local laws and regulations. All CFA Institute members (including holders of the Chartered Financial Analyst® (CFA®) designation) and CFA candidates must abide by the Code and Standards and are encouraged to notify their employer of this responsibility. Violations may result in disciplinary sanctions by CFA Institute. Sanctions can include revocation of membership, revocation of candidacy in the CFA Program and revocation of the right to use the CFA designation.

THE CODE OF ETHICS

Members of CFA Institute (including CFA charterholders) and candidates for the CFA designation ("Members and Candidates") must:

- Act with integrity, competence, diligence, respect, and in an ethical manner with the public, clients, prospective clients, employers, employees, colleagues in the investment profession, and other participants in the global capital markets.
- Place the integrity of the investment profession and the interests of clients above their own personal interests.
- Use reasonable care and exercise independent professional judgment when conducting investment analysis, making investment recommendations, taking investment actions, and engaging in other professional activities.
- Practice and encourage others to practice in a professional and ethical manner that will reflect credit on themselves and the profession.
- Promote the integrity and vitality of the global capital markets for the ultimate benefit of society.
- Maintain and improve their professional competence and strive to maintain and improve the competence of other investment professionals.

STANDARDS OF PROFESSIONAL CONDUCT

I. PROFESSIONALISM

A. Knowledge of the Law. Members and Candidates must understand and comply with all applicable laws, rules, and regulations (including the CFA Institute Code of Ethics and Standards of Professional Conduct) of any government, regulatory organization, licensing agency, or professional association governing their professional activities. In the event of conflict, Members and Candidates must comply with the more ethical law, rule, or regulation. Members and Candidates must not knowingly participate or assist in and must dissociate from any violation of such laws, rules, or regulations.

B. Independence and Objectivity. Members and Candidates must use reasonable care and judgment to achieve and maintain independence and objectivity in their professional activities. Members and Candidates must not offer, solicit, or accept any gift, benefit, compensation, or consideration that reasonably could be expected to compromise their own or another's independence and objectivity.

C. Misrepresentation. Members and Candidates must not knowingly make any misrepresentations relating to investment analysis, recommendations, actions, or other professional activities.

D. Misconduct. Members and Candidates must not engage in any professional conduct involving dishonesty, fraud, or deceit or commit any act that reflects adversely on their professional reputation, integrity, or competence.

II. INTEGRITY OF CAPITAL MARKETS

A. Material Nonpublic Information. Members and Candidates who possess material nonpublic information that could affect the value of an investment must not act or cause others to act on the information.

B. Market Manipulation. Members and Candidates must not engage in practices that distort prices or artificially inflate trading volume with the intent to mislead market participants.

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GLOBAL INVESTMENT PERFORMANCE STANDARDS (GIPS®) FOR FIRMS

2020



GLOBAL INVESTMENT PERFORMANCE STANDARDS (GIPS®) FOR ASSET OWNERS

2020



GLOBAL INVESTMENT PERFORMANCE STANDARDS (GIPS®) FOR VERIFIERS


2020



GLOBAL INVESTMENT PERFORMANCE STANDARDS (GIPS®) FOR FIDUCIARY MANAGEMENT PROVIDERS TO UK PENSION SCHEMES



ASSET MANAGER CODE



PENSION TRUSTEE CODE OF CONDUCT AND GUIDANCE FOR COMPLIANCE



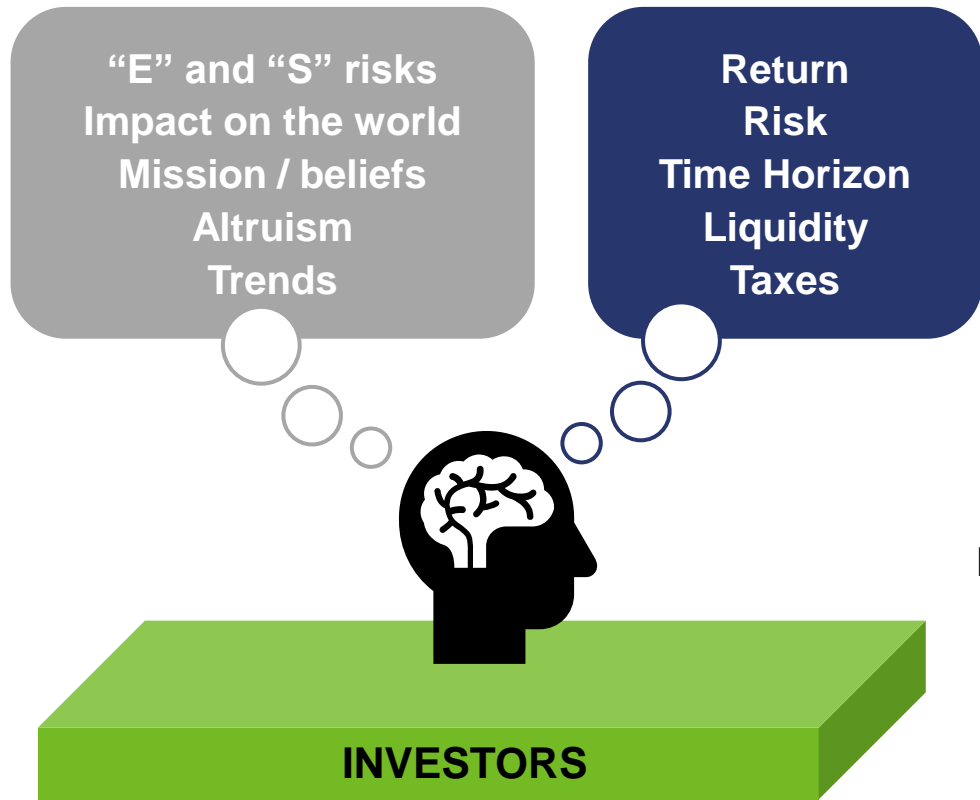
INVESTMENT MANAGEMENT CODE OF CONDUCT FOR ENDOWMENTS, FOUNDATIONS, AND CHARITABLE ORGANIZATIONS



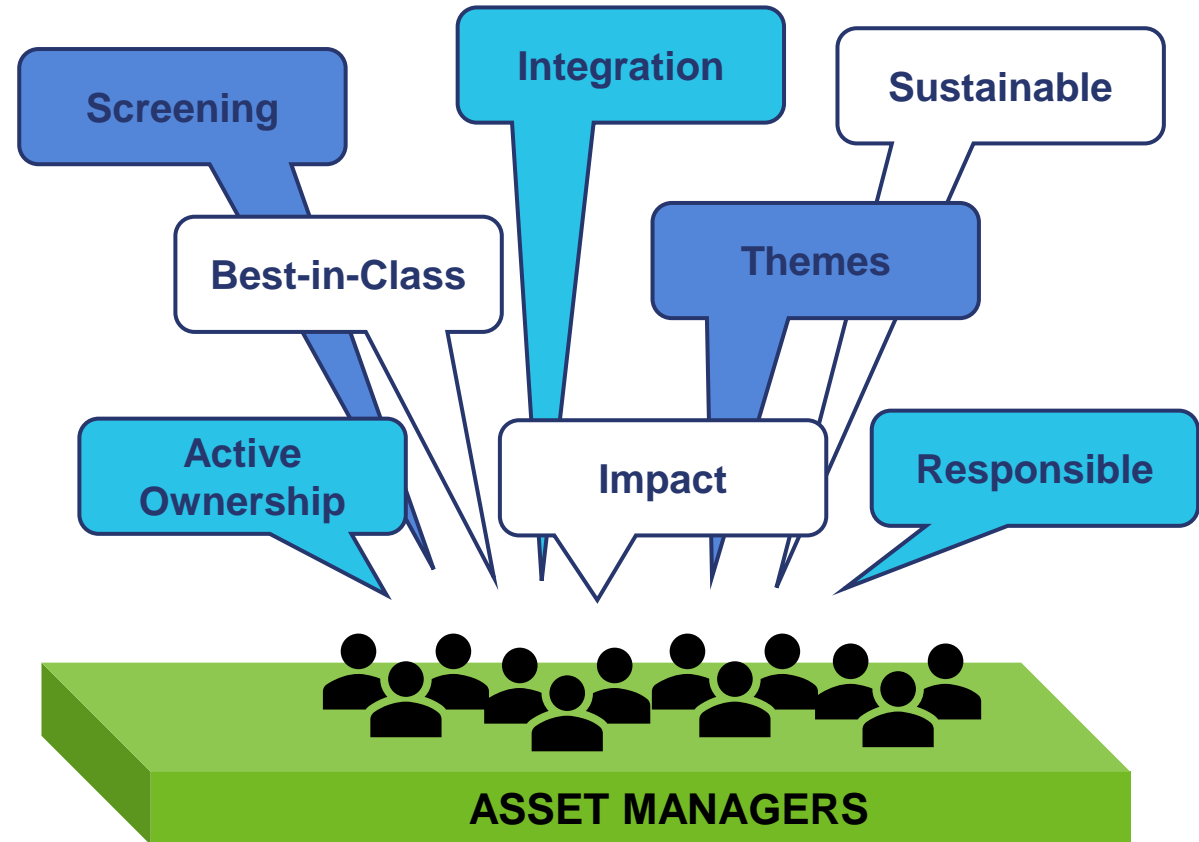


ESG DISCLOSURE STANDARDS FOR INVESTMENT PRODUCTS

THE PROBLEM



Language &
Information
Gap



THE CONTEXT

Type and Scope	Examples
Specifications for investment product disclosures	<ul style="list-style-type: none"> • CFA Institute ESG Disclosure Standards for Investment Products • Regulation EU 2019/2088 Sustainable Finance Disclosure Regulation (SFDR) • Eurosif European SRI Transparency Code
Specifications for measurement or reporting	<ul style="list-style-type: none"> • Principles for Responsible Investment (PRI) Reporting Framework • Impact Management Project
Specifications for investment products	<ul style="list-style-type: none"> • Febelfin Quality Assurance Standard and Towards Sustainability label • SRI Label (Label ISR; French Ministry for the Economy and Finance) • Luxembourg Finance Labelling Agency (LuxFLAG) labels • EU Ecolabel (under development)
Specifications for investment approaches	<ul style="list-style-type: none"> • British Standards Institution (BSI) PAS 7341: Responsible and Sustainable Investment Management • International Finance Corporation (IFC) Operating Principles for Impact Management
Definitions of investment approaches	<ul style="list-style-type: none"> • The Investment Association (IA) Responsible Investment Framework • Global Sustainable Investment Alliance (GSIA) definitions • Institute of International Finance (IIF) working group report on sustainable investment terminology • Investment Company Institute (ICI) report: “Funds’ Use of ESG Integration and Sustainable Investing Strategies: An Introduction”
Codes and Principles (of investing)	<ul style="list-style-type: none"> • The UK Stewardship Code 2020 • Principles for Responsible Investing (PRI)
Specifications for benchmarks	<ul style="list-style-type: none"> • Regulation EU 2019/2089 Climate Transition Benchmarks, EU Paris-aligned Benchmarks, and sustainability-related disclosures for benchmarks
Specifications for issuer disclosures	<ul style="list-style-type: none"> • Sustainability Accounting Standards Board (SASB) Standards • Global Reporting Initiative (GRI) Standards • Task Force on Climate-related Financial Disclosures (TCFD) recommendations • Directive 2014/95/EU Non-Financial Reporting Directive (NFRD)
Specifications for bonds	<ul style="list-style-type: none"> • Climate Bond Initiative (CBI) Climate Bonds Standard and Certification Scheme • EU Green Bond Standard
Classifications of economic activities	<ul style="list-style-type: none"> • EU Taxonomy

THE VISION



Definition of ESG-related features and key terms



Requirements for ESG-related disclosures



Classification of ESG-related features by investor need



Procedures for independent examination of ESG-related disclosures

Out of scope:

- Establish disclosure requirements for corporate issuers
- Prescribe requirements for the labeling or rating of securities or investment products
- Define best practice for a particular strategy or approach
- Develop criteria to assess or measure the sustainability of economic activities or investment products
- Advance principles to be used in investment decisions

THE BENEFITS

Investors

- More clearly identify and communicate ESG-related needs
- More easily identify products that will meet particular ESG-related needs
- More easily understand and compare products with ESG-related features
- Greater confidence that a product's disclosures are a fair representation of the product's design and benefits, if the product has undergone an independent, third-party examination

Asset Managers

- Clearly communicate the ESG-related features of products
- More easily market products with ESG-related features across geographic borders
- Save time and effort responding to questionnaires and due diligence requests
- Demonstrate a voluntary commitment to best ethical practices

Consultants and Advisors

- More clearly discuss ESG-related needs and ESG-related features with clients
- Have greater confidence that recommendations align with client's investment policy statement
- More easily identify and compare products with ESG-related features that originate in different geographical regions
- Save time and effort related to product searches and comparisons



THANK YOU!