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Responding to CONSULTATION PAPER ON THE DEVELOPMENT OF THE CFA INSTITUTE ESG DISCLOSURE STANDARDS FOR INVESTMENT PRODUCTS

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Japan Stewardship Forum
http://stewardship.or.jp/english/

We are a forum for institutional investors engaged in stewardship activities in Japan. We appreciate that this disclosure standard started to be developed under the leadership of a private expert body, the CFA Institute and appreciate the opportunity to provide comments. We agree with your proposal in general, and please find our specific comments to your consultation below.

1. Response to Question 1: Do you agree that a standard is needed to help investors better understand and compare investment products with ESG-related features?

We agree that the standard will help investors to understand and compare products on ESG related features, but we also are concerned that a new additional disclosure could cause a confusion given there are many disclosures are discussed with various regulators. We expect the standard to be simple and easy to understand, with no duplicative effort to produce.

2. Response to Question 5: Do you agree that the Standard should focus only on product-level disclosures and not firm-level disclosures? / the Question 6: Do you agree that an asset manager should be permitted to choose the investment products to which they apply the Standard rather than be required to apply the Standard to all their investment products with ESG-related features?

We basically agree with them. We foresee ESG will become a part of the investment in all investment products in the near future, and thus, the standard should address to the thought of what role will play in that environment.

3. Response to Question 11: Should independent examination be required, or should it be recommended as best practice but ultimately left to the discretion of the asset manager?

   We believe independent examination will provide assurance to investors and should be required especially if Asset manager CAN choose which product to apply this standard.

4. Response to Question 12: Should the independent examiner (i) examine the disclosures relative to only the design of the investment product or (ii) examine the disclosures relative to both the design and implementation of the investment product?

We agree that the third-party independent examination will provide an assurance to Investor and it will be true if the assurance is seen through to the implementation rather than a design only. However, we would expect a clear guidance to which extent an examination should be subject to as the contents are fully descriptive.

5. Response to Question 14: Should the disclosure requirements address an investment product's intention to align with policy goals, such as the UN Sustainable Development Goals10 (SDGs), and if so, should these requirements be part of general disclosure requirements or feature-specific disclosure requirements?

We would agree with this proposal only if this is voluntary and is applied only if the investment objective stats to achieve SDGs directly or indirectly. We would expect there would be an ESG product without SDGs as clear investment goal or consideration but to achieve other ESG or sustainable goals.

6. Question 15: Should the disclosure requirements include an explanation of whether, and if so how, an investment product considers principal adverse impacts on sustainability factors and where to find additional information, as required by Article 7 of Regulation EU 2019/2088 Sustainable Finance Disclosure Regulation?

Regulatory requirements differ from market to market, but we believe CFA should aim an international/global standard and thus, the regional required disclosures are best left with each regulatory disclosure to address.

7. Response to Question 39: Do the six features described fully cover the spectrum of ESG-related features currently offered in the marketplace?

The classification of A to F in Table 3 seems to align with the GSIA classification. We think that it makes it easy to understand, but we foresee one product can have multiple categories. For example, ″the stewardship, engagement, and voting″ of F can also have features described as A to E. In these cases, it seems it will become difficult to apply standard. Therefore, we feel it requires a little more guidance on how we could apply F.

Also, sometimes it might become ambiguous as to ″how much ESG is taken into consideration″ in A (ESG integration), and thus more clarify is required in the definition.

8. Response to Question 40: Does this list of ESG-related needs represent the spectrum of investors' ESG-related needs?

We believe this approach of identifying investors' demand is very meaningful. However, this will only make sense if we identify who our 'investors' are. Given the wide difference in access to the information between institutional and individual (retail) investors, who typically have very limited information access, the standard should address these differences and have a clear understanding of what each investor should be aware of in defining investors requirements.

9. Request to Q10

We believe that independent examinations are important for increasing the credibility of investment managers, but the cost is ultimately carried by investors. In particular, if you request each individual fund level, the cost burden may increase depending on the size of the fund. We would urge you to carefully consider the advantages and disadvantages of introducing examination considering investors benefit.

10. General opinion.

We would like your opinion whether passive investment (index fund) can be categorized as ″ESG investment″.

Index funds may not select its investment based on ESG, but asset managers engage with companies on ESG-themed topics and our opinions are reflected in the proxy votes.

Therefore, do you foresee any issue if asset manager identifies these types of investment product as "ESG investment" and maybe under the category of "F"?

If that is the case, to what extent do you see enough to be categorized under F if asset manager engages a part of the index constituents, not all?