Addition Comments on specific questions from MainStreet Capital Partners

1.4

Costs of Compliance

1. Financial Costs: These include expenses related to data collection, system upgrades, and reporting. High costs were a concern, especially for smaller firms.

2. Operational Challenges: Implementing new reporting standards requires significant adjustments in operational processes. The effectiveness was lower due to some aspects of the implementation process being overly complex or burdensome.

Impact on Financial Markets

1. Market Behaviour: An increase in sustainable investment products and a shift in capital towards more sustainable options indicated some success (flow movement was evident)

2. Investor Response: The level of engagement and satisfaction from investors regarding the provided information is crucial. Overall, when speaking to other advisors I very rarely heard positive responses about the use of these types of information, that was more for voluntary marketing documents.

Alternative Uses of Funds

1. Direct Investment in Sustainability: Some argue that direct investment in sustainable projects or more targeted sustainability initiatives could be more effective than regulatory compliance.

2. Technological Innovation: Investing in technologies that directly contribute to sustainability (like renewable energy or efficient resource management systems) might offer more tangible benefits.

3.2.9.1

Decile and peer comparison is troublesome and generally not useful unless the product sits in a highly populated field. It could be possible to require it but allow asset managers to decide on their own peer group but this creates additional problems.

This also seems to refer to which information to benchmark as well, we haven’t touched upon that here, I’d mention impact reported but that is the GSS in me, I’m not sure what is more relevant for funds here.

4.3.2

Basing any categorisation on an arbitrary benchmark would limit innovative sustainability strategies. The product categorisation should be established regardless of the PAB & CTB and the PAB & CTB should have to change their design to fit into the categorisation. If the categorisation were based upon these benchmarks, any investments with significant tracking error variation would potentially not fit into a category regardless of their sustainability credentials. The categorisations must remain credible and therefore independent in order for investment managers to provide solutions for their clients without a constraining centralised view on what benchmark ESG behaviour looks like. For example, if you based a category on the MSCI world and then a fund wanted to be included in the same category with a 5% TE with a significantly better sustainability profile, the fund would not fit the categorisation due to the deviation from the benchmark. The question implies that the PAB & CTB benchmarks are credible sustainability offerings, something we belief is firmly not the case.