
CIFSC Responsible Investment Framework

Data Content Guide

Morningstar Data Content

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Background

The Canadian Investment Funds Standards Committee was formed in January 1998 by Canada's major mutual fund database and research firms to standardize the classifications of Canada-domiciled retail mutual funds. In 2020, CIFSC began work on a framework to identify Canadian investment funds that sufficiently practice responsible investing. The framework was finalized in 2022.

The CIFSC identifies funds that apply one or more responsible-investing, or RI, approaches. In recognition of the different interpretations and definitions of responsible investing, the CIFSC considers "responsible investing" to be an umbrella term that encompasses sustainable investing; environmental, social, and governance-focused investing, or ESG; and any other strategy that would fall into one or more of the approaches described in the framework. The CIFSC notes that it is an identification framework and not a labeling standard. The scope of the framework is limited to investment funds offered in Canada or listed on Canadian exchanges and is complementary to, and not in conflict with, regulation and related guidance from the Canadian Securities Administrators and is aligned with global developments such as the CFA Institute's Global ESG Disclosure Standards for Investment Products. The framework is not meant to measure performance or magnitude but rather to assist investors with CIFSC's reasonable determination of which responsible-investing approaches are stated in regulatory documents from fund manufacturers.

In broad terms, RI, ESG investing, or sustainable investing mean that some combination of environmental, social, governance, and sustainability factors are incorporated into the investment process. Environmental criteria measure the impact that a company has on the environment or the impact that the environment has on the company. Social criteria measure how well a company treats its employees and customers, deals with human rights, and avoids corruption, and they measure the impact a company has on the community where it operates or the impact the community has on the company. Governance criteria evaluate the leadership of a company, executive compensation, board oversight, board diversity, internal controls, and shareholder rights.

To be identified under the CIFSC Responsible Investment framework, a fund must have an investment mandate stated in the prospectus investment objectives relating to a responsible approach, and/or a separate document compliant with CFA Institute's Global ESG Disclosure Standards for Investment Products or other widely accepted disclosure standards. For nonprospectus funds, the CIFSC considers other regulatory offering documents such as an offering memorandum. Additional information is considered provided it is not contradictory to the publicly available information in regulatory or

disclosure documents. In addition, the fund's stated responsible-investing approach must meet the criteria for at least one of the RI approaches that form the framework.

The CIFSC Responsible Investment Framework outline can be obtained at <https://www.cifsc.org/responsible-investment-identification-framework/>.

Morningstar is a member of the CIFSC and is involved in the process of evaluating Canadian funds for their use of the responsible-investing approaches under the CIFSC framework. The CIFSC framework is independent from the Morningstar Sustainable-Attributes Framework.

While the CIFSC is not a regulatory body, the framework is expected to be used by Canadian investors and their advisors to identify responsible investments.

Definition of the Dataset

The dataset consists of the funds that CIFSC has identified as responsible investments. A responsible investment is a fund that uses at least one of the six responsible-investing approaches contained in the framework. These are:

1. ESG Integration and Evaluation
2. ESG Thematic Investing
3. ESG Exclusion
4. ESG Impact Investing
5. ESG Related Engagement and Stewardship Activities
6. ESG Best in Class

The six approaches are not mutually exclusive, and a fund can be identified as using more than one of the approaches.

Content

Only funds that have been identified by CIFSC as using at least one of the six responsible-investing approaches that are part of the framework are included in the dataset. Those funds are assigned a value of "Yes" for any of the six framework approaches that the CIFSC has determined apply to the fund. The approaches that the CIFSC has determined do not apply are left blank (a null value). The CIFSC framework does not declare that a fund does not use a particular approach, because while the fund may state that it uses that approach, the CIFSC has decided that the fund does not meet the criteria for that approach. The funds that do not meet the criteria for any of the six approaches, meaning that none have a value of "Yes" assigned to them for any of the six approaches, are not included in the list.

Inputs/Sources/Timings

The list of funds identified by CIFSC as responsible investments are available at the CIFSC website at <https://www.cifsc.org/qualifying-funds-and-responsible-investing-flags/>. The list is updated to add any new Canadian funds that the CIFSC has evaluated and determined to be classified as responsible investments. As well, when funds change their investment objectives and strategies, they can request

the CIFSC change their evaluations or have them removed. Updates to the list of funds are made monthly.

Assumptions

The list of CIFSC responsible investments is updated on a monthly cycle by CIFSC, but in any given month, there may not actually be any changes to the list. The CIFSC only maintains the current list of funds, and any funds that are removed are no longer found in the list, and there is no indication in the list of when a fund was added. Because of this, Morningstar records the list of funds as of every month-end, regardless of whether there are any changes. In this way, the stored data reflects exactly the contents of the list at each month-end.

Limitations/Exceptions

The full list published by the CIFSC may include funds that are not available in any Morningstar universes. Those funds and their evaluations are not stored by Morningstar.

Markets

Canada only.

Universes

Canada-domiciled open-end mutual funds including exchange-traded funds, segregated funds, and pooled funds.

Derivation Logic

No derivation. The CIFSC responsible investment list of funds is stored as provided, for those funds that are in Morningstar universes, as of each month-end, along with an indication of their assigned responsible-investing approaches as outlined in the CIFSC Responsible Investment Identification Framework. The six approaches are described in the glossary.

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Glossary

CIFSC ESG Integration and Evaluation	An indication whether environmental, social, and governance criteria are an essential component of the evaluation method for security selection alongside traditional financial factors. All securities in the portfolio have been evaluated based on ESG factors, and the ESG factors are significant and influential in adding and removing securities in the portfolio.
CIFSC ESG Thematic Investing	An indication whether the fund has a specific focus on themes that fit into one or more of the elements of the environmental, social, or governance spectrum but does not focus on all elements of the spectrum. The ESG theme must be the primary evaluation method for security selection such that, at the overall portfolio level, the degree to which the theme is integrated is well documented and measurable.
CIFSC ESG Exclusion	An indication whether the fund's investable universe excludes specific sectors, industries, materials, or companies based on environmental, social, and governance criteria or other specific ethical considerations. As examples, these funds cannot hold securities issued by companies or governments that receive revenue from the sale or production of excluded materials or that operate in excluded sectors or industries. Exclusions based on legal requirements or exclusions that would result naturally from the investment mandate are not considered. Portfolio exclusions should be clearly stated in regulatory or disclosure documents.
CIFSC ESG Impact Investing	An indication whether the fund invests in companies or projects that intend to have a measurable positive environmental and/or social and/or governance impact as well as the intent to generate a positive financial return. Funds must have a stated impact measurement and management policy.
CIFSC ESG Related Engagement and Stewardship Activities	An indication whether the fund uses its position of ownership to influence the company to make decisions that increase the company's positive impact on environmental, social, and governance factors. This can include collaborative efforts with peers and/or informing the board and management of specific ESG issues. The goals of the engagements, including the ESG issues that are addressed and the process for monitoring the issues, should be documented, clear, and reflected in formal dialogue with the company's board and management and/or by voting on shareholder proposals. Engagements and stewardship activities are considered at the fund level.
CIFSC ESG Best in Class	An indication whether the fund invests in securities that meet specified criteria related to environmental, social, and governance factors, where the criteria usually include thresholds related to ESG performance or

	scoring on ESG factors such that only securities meeting the selected thresholds are considered for investment. Thresholds should be set such that the investable universe or portfolio is composed of securities that perform at least better than average in the ESG factors.
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Frequently Asked Questions

Why does the CIFSC framework data only include Yes values?

The CIFSC indicates whether the fund meets the criteria for at least one of the responsible-investing approaches in the framework. A fund may state that it uses a particular approach, but the CIFSC decides if the statement or description of the use of that approach is not sufficiently clear or strong, perhaps because of words or phrases such as “at the discretion of the manager” or “the manager may consider.” The CIFSC Responsible Investment Framework document outlines the criteria that must be met for each approach. (The document can be obtained at <https://www.cifsc.org/responsible-investment-identification-framework/>.) A formal “No” could be misinterpreted as declaring that the fund does not use a particular approach when in fact the fund may say that it does. Since a declaration of “Yes” means that CIFSC feels that the fund meets the criteria of a particular approach, the absence of “Yes” means that the fund does not meet the criteria of that approach.

Is the CIFSC framework a regulatory undertaking?

No, the framework is not a regulation, as CIFSC is not a regulatory body. The CIFSC was formed by Canadian mutual fund data providers, research firms, consultants, and other industry participants, with a self-imposed mandate to standardize the classifications of Canada-domiciled retail mutual funds to make fund comparisons easier for investors and other market participants. It is an identification framework, not a labeling standard, and is complementary to, and not in conflict with, regulation and related guidance from the Canadian Securities Administrators and is aligned with global developments such as the CFA Institute’s Global ESG Disclosure Standards for Investment Products. The framework is not meant to measure performance or magnitude but rather to assist investors with CIFSC’s reasonable determination of which responsible-investment approaches are stated in regulatory documents from fund manufacturers.

If the framework doesn’t measure performance or magnitude, how is it meant to be used?

The framework does not identify any approach as being superior or inferior to any other approach. The framework simply identifies, with CIFSC’s reasonable determination, which responsible-investment approaches fund manufacturers use, as stated in their regulatory documents. The approaches are also not mutually exclusive. Funds can be identified as using any number or combination of the approaches.

How does the CIFSC framework tie in with Morningstar’s view on sustainable investing?

The CIFSC framework is independent. Morningstar is a CIFSC member, so there may be some similarity in some of the approaches that Morningstar uses; however, Morningstar was only one of several contributors to the development of the CIFSC framework. As a result, there can be some differences in the evaluation of some funds. Morningstar is making the CIFSC framework data available to any investor or advisor who wishes to use it in their research and investment decisions.