

MEMO# 32666

August 7, 2020

Final Response to Monetary Authority of Singapore's (MAS) Consultation on Guidelines on Environmental Risk Management for Asset Managers

[32666]

August 7, 2020 TO: ICI Global Members

ESG Task Force (Global)

ICI Global Regulated Funds Committee SUBJECTS: Compliance

Disclosure

ESG

International/Global

Investment Advisers

Portfolio Oversight

Risk Oversight RE: Final Response to Monetary Authority of Singapore's (MAS) Consultation on Guidelines on Environmental Risk Management for Asset Managers

We submitted the attached final response to the consultation from the Monetary Authority of Singapore (MAS) on its proposed Guidelines on Environmental Risk Management for asset managers.[\[1\]](#) The proposed Guidelines set out the MAS's supervisory expectations for asset managers' governance, risk management, stewardship, and disclosure of environmental risk.

In our consultation response, we ask the MAS for clarification on the scope of the proposal and then make the following substantive points:

- **Principles-based rather than prescriptive approach.** Throughout our response, we urge the MAS to take a principles-based, rather than prescriptive, approach so that a manager has the flexibility to implement the Guidelines in a manner that reflects the size, nature, and complexity of its business. For example, we caution against a prescriptive approach to the use of tools and metrics for management of environmental risk to investments and note that asset managers instead should be provided the flexibility to adapt their environmental risk analyses in a manner that is appropriate for their particular investment process.
- **Differentiate between investment risk and business risk.** As the MAS develops its Guidelines, it is essential to differentiate between environmental risk to the value

of a particular investment (i.e., investment risk) and environmental risk to an asset manager as an organisational entity (i.e., business risk). We make this point in several places, related to Board oversight, senior management responsibilities, and portfolio risk management.

- **No merit in designating a single person.** We do not see merit in requiring (expressly or otherwise) the designation of a single person or committee to be responsible for oversight of material environmental risk to investments.
- **Avoid scenario analysis requirements.** We specifically express concern about the prescriptive nature of the proposed Guidelines with respect to scenario analysis. We explain that the current state of scenario analysis is unlikely to provide useful information to investors and may even be misleading to investors that place undue reliance on its outcome.
- **Emphasis on materiality.** We support the MAS's focus on materiality and recommend strengthening this focus in various places in the Guidelines.
- **Stewardship and collaborative engagement.** We highlight concerns with the Guidelines on collaborative engagement, noting potential conflicts with antitrust requirements in other jurisdictions and suggesting alternative language.
- **No aggregate disclosure requirement.** We recommend against mandating aggregate disclosure at the group or head office level and urge the MAS to reconsider this disclosure provision so that it is useful for end investors.
- **Importance of asset manager/asset owner distinction.** The Guidelines note that asset managers can play a key role in the transition towards an environmentally sustainable economy by channeling capital through their green investment activities, and we strongly emphasize that asset managers are not asset owners but fiduciaries acting on behalf of investors.

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[Attachment](#)

endnotes

[1] For a detailed summary of the consultation, see ICI Global Memorandum No. 32596, available at https://www.ici.org/my_ici/memorandum/memo32596. See also press release and link to the consultation at <https://www.mas.gov.sg/news/media-releases/2020/mas-consults-on-environmental-risk-management-guidelines-for-financial-institutions>.