

**MEMO# 32769**

September 21, 2020

# **SEC Commissioner Peirce Remarks on the Role of Asset Management in ESG Investing**

[32769]

September 21, 2020 TO: ICI Members

Disclosure Working Group

ESG Task Force (Global)

ESG Working Group (US)

SEC Rules Committee SUBJECTS: Disclosure

ESG RE: SEC Commissioner Peirce Remarks on the Role of Asset Management in ESG Investing

SEC Commissioner Peirce recently delivered a speech expressing her views on several aspects of ESG investing and considerations for SEC regulation.[\[1\]](#) This memorandum briefly summarizes that speech.

Commissioner Peirce noted that she agrees with Commissioner Roisman that “funds must clearly disclose their investment strategies so that an investor can make informed decisions about whether a fund that claims to be an ESG fund is an ESG fund as that investor defines it.” She went on to state that she does not favor the SEC standardizing what it means to have an ESG strategy because doing so would “limit choices for investors, stifle innovation by funds, and put the SEC in the inappropriate position of deciding whether an asset manager’s strategy is, for example, sufficiently green or properly socially conscious.”

She also asserted her belief that the Commission should not “implement a standardized ESG disclosure framework.” She noted that market participants have not coalesced around a single framework or standard setter. Given this, she reasoned that it therefore “would be imprudent for a regulator to step in at this stage to declare some or all of these metrics to be material and to require a specific framework.” She also explained that

a prescriptive ESG framework would run directly counter to our tried and true principles-based disclosure framework, which is rooted in materiality, rather than specific metrics. This principles-based framework is a significant source of strength for our capital markets. As a securities regulator, I see it as part of my job to defend our principles-based disclosure framework. If we allow our disclosure regime to address the specific desires of each special interest group, we will increase the costs of being a public company, weaken our focus on

investor protection, and stray from our agency's mission.

She also pointed out that “we should not assume that if the SEC were to crown a specific private metric creator with FASB-like status, the remaining ESG standard setters would simply fade away. There is a lot of money being made by these firms, so they likely are here to stay.”

Commissioner Peirce acknowledged that ESG issues are not going away and indicated openness to future conversations with market participants. She urged market participants, in having those conversations, to focus on specific items or metrics rather than broad ESG disclosure<sup>[2]</sup> and be prepared to explore and explain the relationship between ESG investing and investment returns.

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#### **endnotes**

<sup>[1]</sup> Lucy's Human: Remarks at Virtual Roundtable on The Role of Asset Management in ESG Investing Hosted By Harvard Law School and the Program on International Financial Systems (Sept. 17, 2020), available at <https://www.sec.gov/news/speech/peirce-lucys-human-091720>

<sup>[2]</sup> She reasoned that doing so is necessary given that the term “ESG” is broad and covers too many distinct issues for a single set of metrics to capture.