

**MEMO# 33019**

January 5, 2021

# **FOR REVIEW: Draft Response to ESG-Related Questions in EU AIFMD Consultation**

[33019]

January 5, 2021 TO: ESG Task Force

EU ESG Disclosure Regulation Working Group RE: FOR REVIEW: Draft Response to ESG-Related Questions in EU AIFMD Consultation

Attached for your review is a first draft of our response to the ESG-related questions in the European Commission's recent consultation on potential changes to the Alternative Investment Fund Managers Directive (AIFMD).[\[1\]](#) This incorporates feedback from the member call we had before the holidays.

**We would greatly appreciate receiving any initial comments and feedback by this Friday (end of business GMT, noon EST).** We will then circulate a second draft on Monday (11 January). This second draft will be part of a larger consolidated document that will include our draft responses to non-ESG-related questions as well. The consultation response is due Friday 29 January.

As background, we expect the Commission's approach to the AIFMD to carry over to the UCITS Directive, and these particular questions indicate a focus on quantifying ESG integration (i.e., consideration of sustainability risk) and requiring asset managers to consider sustainability impact in the investment process as follows:

- **Question 90** asks whether AIFMs should be required to disclose sustainability risks in quantitative (rather than qualitative) terms.
- **Question 91** asks whether all AIFMs should be required to integrate consideration of sustainability impact (i.e., 'double materiality') in the investment process.
- **Question 92** asks whether, how, and at which level (at the AIFM or product level) AIFMs should be required to integrate sustainability impacts in the quantification of sustainability risks.
- **Question 93** asks whether and how AIFMs should be required to take into account the long-term sustainability and social impacts of their investment decisions beyond what is currently required by the EU law (such as environmental pollution and degradation, climate change, social impacts, and human rights violations).
- **Questions 94 and 95** asks whether the EU Taxonomy or any other sustainability-related requirements or international principles should be considered when AIFMs are

making investment decisions.

This appears to contemplate going significantly beyond the draft delegated acts that the Commission consulted on earlier this summer that would amend the AIFMD and UCITS Directive to add consideration of sustainability risk (and to which we responded).<sup>[2]</sup>

As always, do not hesitate to reach out to us with questions, thoughts, or feedback. And a Happy New Year to you all!

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## [Attachment](#)

### **endnotes**

[1] The AIFMD review consultation is *available at* [https://ec.europa.eu/info/files/2020-aifmd-review-consultation-document\\_en](https://ec.europa.eu/info/files/2020-aifmd-review-consultation-document_en). The Commission's website on the AIFMD review is *available at* <https://ec.europa.eu/info/law/better-regulation/have-your-say/initiatives/12648-Alternative-Investment-Fund-Managers-review-of-EU-rules>.

[2] See ICI Memorandum No. 32584, *available at* <https://www.iciglobal.org/iciglobal/pubs/memos/memo32584>.