

MEMO# 32887

November 2, 2020

EU AIFMD Consultation: ESG-Related Questions

[32887]

November 2, 2020 TO: ICI Global Members

ESG Task Force (Global)

EU ESG Disclosure Regulation Working Group SUBJECTS: ESG

International/Global

MiFID, EMIR, AIFMD, UCITS V RE: EU AIFMD Consultation: ESG-Related Questions

The European Commission's recent consultation on potential changes to the Alternative Investment Fund Managers Directive (AIFMD) includes a series of questions related to ESG/sustainable finance (see attached excerpt).^[1] We expect the Commission's approach to the AIFMD to carry over to the UCITS Directive, and these 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:

- **Questions 62 and 71** focus on disclosure of sustainability-related information in the AIFMR supervisory reporting templates to capture risks to financial stability.
- **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 adverse 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 adverse 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, 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).[\[2\]](#)

Our colleagues Giles Swan and Eva Mykolenko are holding an upcoming call to discuss ICI Global's broader response to the consultation, but Anna and I will be leading the work on the ESG-related questions. We are mindful of your time and not initially planning to hold a separate call, but please let us know if you would find that helpful. Otherwise we will plan to request your feedback through email and individual calls as needed, including circulating an outline and draft.

The consultation deadline is **29 January 2021**, and we will send more details soon on expected timing of an outline and draft, being mindful of the upcoming holiday season. In the meantime, please don't hesitate to reach out to us with any initial questions, comments, or feedback.

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[Attachment](#)

endnotes

[\[1\]](#) Please see Consultation document: Public consultation on the review of the alternative investment fund managers directive (AIFMD), available at https://ec.europa.eu/info/files/2020-aifmd-review-consultation-document_en

[\[2\]](#) Please see ICI Memorandum No. 32584, available at <https://www.iciglobal.org/iciglobal/pubs/memos/memo32584>