

MEMO# 33643

July 6, 2021

IOSCO Consults on Sustainability-Related Regulatory and Supervisory Expectations for Asset Managers

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TO: ESG Task Force

EU ESG Disclosure Regulation Working Group RE: IOSCO Consults on Sustainability-Related Regulatory and Supervisory Expectations for Asset Managers

On 30 June 2021, the International Organization of Securities Commissions (IOSCO) published Consultation Report on Recommendations for Sustainability-Related Practices, Policies, Procedures and Disclosure in Asset Management (Consultation Report), with the comments on the Consultation Report are due to IOSCO by 15 August 2021.[\[1\]](#) We will provide a more detailed summary of the report in the due course.

In the meantime, below is a brief description of the Consultation Report from the IOSCO's press release:

The Consultation Report focuses on investor protection issues and proposes that securities regulators consider setting regulatory and supervisory expectations for asset managers regarding sustainability-related risks and opportunities.

The recommendations cover five areas:

- asset manager practices, policies, procedures and disclosure
- product disclosure
- supervision and enforcement
- terminology, and
- financial and investor education

The recommendations aim to address various challenges, such as existing gaps in skills and expertise and the risk of fragmentation caused by divergent regulatory approaches. These challenges may further contribute to a lack of comparability for sustainability-related products, creating difficulties for investors' monitoring and decision-making, and therefore facilitating greenwashing.

The Consultation Report outlines the types of greenwashing at the asset manager and product levels, describes the different regulatory approaches taken by securities regulators to address sustainability-related risks and opportunities and provides an overview of the financial and investor education initiatives conducted by regulators.

The Consultation Report discusses asset managers' sustainability-related practices and firm level disclosures, which are broadly categorised into the following areas, consistent with the Task Force on Climate-related Financial Disclosures Recommendations (TCFD Recommendations): governance, strategy, risk management, and metrics and targets.

The Consultation Report also highlights a clear need to address the challenges associated with the lack of reliability and comparability of data at the corporate level and the ESG data and ratings provided by third-party providers. The recently published Report on Sustainability-related Issuer Disclosures^[2] addresses data gaps at the corporate level, while a separate IOSCO report, to be published in July, will cover the proliferation of data and ESG ratings providers.

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endnotes

[1] The Consultation Report is *available at* <https://www.iosco.org/library/pubdocs/pdf/IOSCOPD679.pdf>.

[2] This report is *available at* <https://www.iosco.org/library/pubdocs/pdf/IOSCOPD678.pdf>.