

EFAMA Brief - 2018

Asset Managers' Perspective on Sustainable Investments and Regulations (sustainability)

Asset managers are incorporating sustainability into their investment strategies and contributing to the growth of responsible investing. They appreciate the European Commission's efforts towards sustainable finance, especially initiatives like a high-level expert group and a sustainable finance strategy for the EU. They welcome parts of the commission's action plan, including the commitment to enhance sustainability disclosure and proposals for EU taxonomy. Asset managers emphasize that the lack of a shared language for sustainable assets and inconsistent corporate sustainability disclosures have been barriers to sustainability in investment decision-making.

Nonetheless, they disagree with the action plan's claim that they do not systematically consider sustainability. They play a crucial role in boosting sustainable economic growth and long-term European economy financing. They have reservations about legislative initiatives to incorporate sustainability into asset managers' responsibility, arguing that sustainable investments should be driven by asset owners and that sustainability approaches evolve over time in line with economic activities and behavioural changes. They caution against mandatory requirements that could reduce environmental, social, and governance (ESG) to a mere checkbox compliance activity.

ESG Integration in Asset Management: Potential Impacts of Mandatory Requirements (esg)

The increasing tendency of asset managers to incorporate material environmental, social, and governance (ESG) factors in decision making may be undermined by strict mandatory rules, potentially converting ESG into merely a compliance task and stifling innovation. ESG strategies are crucial for meeting clients' long-term interests and protecting their investments, and they serve as critical risk management tools. However, mandatory sustainability requirements risk reducing ESG to just a "tick the box" exercise. Therefore, the means to facilitate ESG investing need careful evaluation, with an emphasis on reinforcing transparency and choice over a rigid legislative approach.

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