



The roundtable will begin shortly

We highly encourage attendees to turn on their cameras and use the “raise your hand” function during the discussion.

AIMA Singapore Manager-Only Roundtable: ESG Fund Labelling Framework Industry Discussion

22 September 2022

Speakers:

Kher Sheng Lee, Managing Director, Co-Head of APAC and Deputy Global Head of Government Affairs, AIMA

Christina Mason, Director, PwC Singapore Asset & Wealth Management ESG leader

Ross Crawford, General Counsel Asia, Millennium Management, LLC and Chair of AIMA Singapore

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THE ALTERNATIVE INVESTMENT
MANAGEMENT ASSOCIATION



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- This event is being recorded for replay, materials will be uploaded to the AIMA website after event.
- Please use the Q&A function for questions, and the chat function for any technical issues.

Agenda



- Overview of scope and progress so far
- Discussion on each of the focus areas

Overview of Scope and Progress So Far

Growing Demand for Clarity and Transparency in line with the Evolving ESG Ecosystem

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SITUATION



CURRENT CHALLENGES / ISSUES



HOW DO WE TACKLE THIS?

• WSJ NEWS EXCLUSIVE | FINANCE

U.S. Authorities Probing Deutsche Bank's DWS Over Sustainability Claims

Investigation by Justice Department, SEC follow allegations from ex-sustainability chief that firm overstated efforts on environment, other issues

"The Journal, citing documents and the firm's former sustainability chief, said the firm struggled with its strategy on environmental, social and governance investing and at times painted a rosier-than-reality picture to investors"

ESG INVESTING

Majority of ESG and climate funds are misaligned with Paris, report claims

The latest research from InfluenceMap finds that not all strategies with climate in their name are aligned with carbon-neutral targets.

"Of the funds that fall into the broad ESG category, 71% are misaligned with global climate targets."

This is the finding from the latest research by the InfluenceMap, which identified 593 equity funds with more than \$265bn (£193bn) in total net assets in the broad ESG category"

- Different forms and formats in which ESG information is presented – inconsistent approach in marketing and branding language of ESG funds

- Gaps in ESG data coverage and lack of timeliness in reporting

- Misrepresentation of data or inaccuracy in reporting

- Requires significant amount of time, resources, and expertise in order to verify these sustainability claims



**ESG Fund Labels
as a mechanism to
bridge the
information gaps**

What is ESG Fund Labelling and how does it Aid ESG Investing?

ESG Fund Labelling



provides an **independent view on the quality of sustainable financial management**



benefits from added credibility, transparency and superior quality standards and quality assurance.
A **quality label can help to reduce information costs and provide a common standard**



provides **protection against “greenwashing”**



with this arises the **need for more structured and transparent guidelines** to introduce and improve ESG fund labelling.

ESG Fund Labelling – Other Jurisdictions

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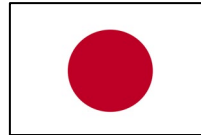
Europe: several governments are **promoting national labels**



Hong Kong: SFC **authorises funds** with investment focus on climate, green, environmental or sustainable development and **maintains a list of verified ESG funds** on their website



UK: FCA released a discussion paper in November 2021, outlining an **initial approach for how asset managers should label ESG products**



Japan: FSA is **considering reviewing some ESG fund labels to protect investors from possible greenwashing**

France:
SRI Label

Luxembourg:
LuxFLAG

Germany:
FNG – Siegel

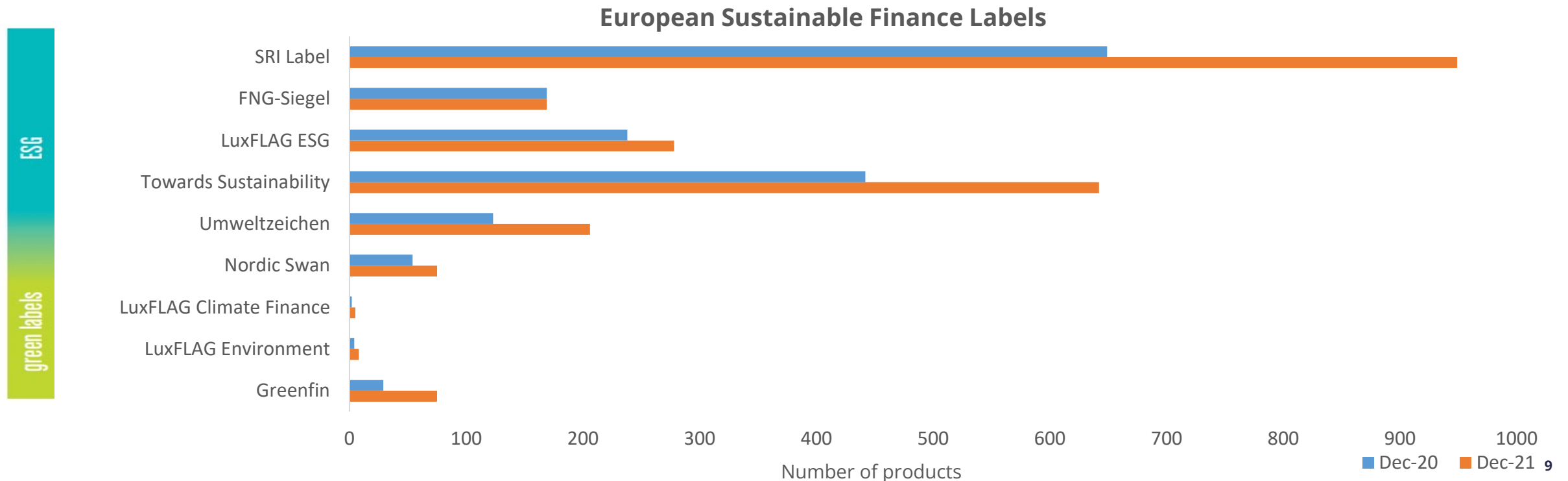
Austria:
Umweltzeichen

Belgium:
Towards
Sustainability

Overview of European Fund Labels



All European sustainable finance labels saw an increase in the number of products under their respective labels from 2020 to 2021, with SRI Label and Towards Sustainability taking the lead.



Vision for the ESG Fund Labelling Framework

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All European sustainable finance labels saw an increase in the number of products under their respective labels from 2020 to 2021, with SRI Label and Towards Sustainability taking the lead.

SCOPE



The framework will cover all investing – both traditional and emerging

- Typical funds – VCC, LP / Master
- Segregated Mandates
- Platforms / Virtual funds

ALIGNMENT



The framework will be aligned with:

- The EU Taxonomy and EcoLabel
- The Singapore Taxonomy (once released)

FOCUS AREAS



While climate-related / environmental considerations have traditionally been the focus of ESG regulations, there is merit in exploring 'social' and 'governance' factors as well.

RESEARCH



The key elements of the framework will be built on discussions with a working group subcommittee. The discussions will supplement research performed by SFIG and MAS.

Vision for Singapore

The idea is really to **establish Singapore as an ESG Fund Certification Centre in line with the ESG Fund Labelling Framework**, that is, a fund that is certified in Singapore on the basis of the framework should paint a very clear picture of the requirements – ESG integration at the portfolio level, disclosures, assurance etc – that it has met in order to do so.

Next Steps:

Set up a SFIG Working Group Subcommittee

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Led by:

- **Ross Crawford** – General Counsel Asia, Millennium Management and Chair of AIMA Singapore
- **Christina Mason** – Director, Asset Wealth Management ESG Leader, PwC Singapore

12-15 Members (selected members from):



Monetary Authority
of Singapore



TEMASEK

A **separate sub-group** comprising of **ESG rating agencies and data providers** may also be established given the crucial role they play in addressing one of the most significant challenges faced by ESG today – need for clear, consistent and comparable ESG data. The sub-group may also comprise of **service providers and lawyers** to further complement expertise.

Discussion on Each Focus Areas

Who and what should fall under the purview of the ESG Fund Label?

- There is potential merit in the fund label being based on the principle of reciprocity with the EU Ecolabel

- Traditional (fixed income, equities)
- Alternatives (Real estate, private equity, infrastructure, private credit)

Primary emphasis on “E” and eventually incorporate S and G or address all 3 components?

Should the label apply only to funds that originate in Singapore or also the funds distributed in Singapore?

A light touch label covering “E” factors or a comprehensive label focusing on a specific investment strategy? E.g. an impact label.



Portfolio Level Requirements

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What should be the underlying investment requirements that form the basis of the Label?

- There could be potential disqualification criteria as well to ensure the funds maintain quality and standard.

Exclusions

Best-in-class

Impact

Minimum
performance

Thematic

Engagement



Label Attributor

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Who should be responsible for attributing the label?

- The identified label attributor needs to be:
 - Independent
 - Self Sufficient
 - Technically Competent

Other considerations:

- What should be the frequency of review of a fund that has been attributed the label?

Independent
verifiers
identified by the
Working Group
Subcommittee?

Independent
committee set
up especially for
the attribution
process?

Accredited
auditors such
as the Big 4?

Independent verifiers could be experts in the field such as professors or researchers at leading institutions. The verification report could be presented to the authoritative agency overseeing the label for the final decision to be made by them.



Disclosure and Reporting Obligations

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What should be the transparency requirements and the reporting frequency?

- Apart from the EU and the Singapore taxonomy, potential alignment of the label with regional regulations can be considered for wider distribution.

Annual reporting? Escalation procedures in case of material developments in the interim?

Full disclosure to the accreditor as basis for renewal?

Mandatory public disclosures?



Incentives

What are potential incentive structures that can be offered to funds to encourage adoption of the label?

- There is potential merit in the fund label being based on the principle of reciprocity with the EU EcoLabel

Subsidies, grants

Reduced tax rates



Q&A

-
1. Are there any particular ESG metrics that the industry/investors are converging on as the standard for measuring ESG impact?
 2. What are the challenges that investors face when selecting ESG funds given the many changes to ESG criteria?
 3. What's the most common method of ESG integration in portfolio management for funds that engage in highly diversified portfolios?
 4. Will the Framework be accommodating to smaller FMCs too, or focusing on larger FMCs? Weightage of Social & Governance aspects?

Upcoming Events in APAC

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- **22 September:** Australia Annual Forum 2022 (In-Person Forum)
- **13 October:** Japan Annual Forum 2022 (In-Person Forum)
- **Date TBC:** Singapore Year End Networking Drinks
- **8 December:** AIMA China Live (Hybrid Forum)
- **March/April 2023:** Singapore Forum 2023 (In-Person Forum)

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APAC events for you:



Contact

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