# MEDIA RELEASE

International Organization of Securities Commissions
Organisation internationale des commissions de valeurs
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المنظمة الدولية لهيئات الأوراق المالى ة

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**Setting regulatory and supervisory expectations for asset managers is fundamental to address greenwashing concerns, says IOSCO**

The Board of the International Organization of Securities Commissions (IOSCO) has published today a set of recommendations about sustainability-related practices, policies, procedures and disclosures in the asset management industry.

Ashley Alder, Chairman of IOSCO and CEO of the Hong Kong SFC said that *"Asset managers, who are a critical part of the sustainable finance ecosystem, play a major role in helping investors achieve their investment objectives. Regulatory guidance on how asset managers consider material sustainability-related risks and opportunities, integrate them into the decision-making process, and make disclosures, will allow investors to understand the impact of their investments."*

There have been challenges associated with the growth of ESG investing and sustainability-related products in recent years, including a greater need for consistent, comparable, and decision-useful information and the risk of greenwashing. The report, which reflects the feedback received in response to the consultation report that was published in June 2021, focuses on these investor protection issues and covers five areas: asset manager practices, policies, procedures and disclosure; product disclosure; supervision and enforcement; terminology; and financial and investor education.

The report also recognizes a clear need to address the challenges associated with the lack of reliability and comparability of data at the corporate issuer level and the ESG data and ratings provided by third-party providers to enable the investment industry to properly evaluate sustainability-related risks and opportunities. The *Report on Sustainability-related Issuer Disclosures*, which was published in June this year, addresses data gaps at the corporate issuer level. A separate IOSCO report will be published later in November and will cover recommendations for ESG data and ratings providers.

Erik Thedéen, head of the Swedish Financial Supervisory Authority, is the Chair of the Sustainable Finance Taskforce set up by the IOSCO Board, which issued this report. He commented: *"Our common objectives as securities regulators are to protect investors, as well as to support market integrity, by ensuring transparency and disclosure of information that is material to investment decisions. Improving underlying data is critical but not sufficient if asset managers do not properly integrate sustainability risks into their risk management procedures – or if they misrepresent the ESG features or performance of their funds to their investors. Setting regulatory and supervisory expectations is therefore fundamental to addressing issues relating to risk mismanagement and greenwashing. This report sets out IOSCO´s view of what these expectations should be to support asset managers in addressing current challenges."*

Greenwashing refers to the practice by asset managers of misrepresenting their sustainability-related practices or the sustainability-related features of their investment products. Such practices may vary in scope and severity, from the inappropriate use of specific sustainability-related terms used in an offering document, to misrepresentations about an entity's sustainability-related commitments, to deceptive marketing practices that deliberately misrepresent a product's sustainable impact.

The recommendations in the report cover a range of areas, all of which can help prevent greenwashing. For example, requirements relating to the disclosure of material risks for sustainability-related products can help prevent greenwashing by enabling investors to better understand the potential risks associated with the product and the impact of those risks on a product's performance, including sustainability-related performance. Similarly, requirements relating to naming for sustainability-related products can help prevent greenwashing by ensuring that products that identify themselves as sustainability-related through their names are accurately reflecting their focus on sustainability.

The recommendations also address the risk of greenwashing through other areas, including supporting sustainability-related financial and investor education initiatives and ensuring that there are adequate supervisory and enforcement tools to monitor and assess compliance with requirements in this area and address breaches of such requirements.

**Notes to the Editor:**

1. IOSCO is the leading international policy forum for securities regulators and is recognized as the global standard setter for securities regulation. The organization's membership regulates more than 95% of the world's securities markets in some 130 jurisdictions, and it continues to expand.

2. The IOSCO Board is the governing and standard-setting body of IOSCO and is made up of 34 securities regulators. Mr. Ashley Alder, the Chief Executive Officer of the Securities and Futures Commission of Hong Kong, is the Chair of the IOSCO Board. The members of the IOSCO Board are the securities regulatory authorities of Argentina, Australia, Bahamas, Belgium, Brazil, China, Egypt, France, Germany, Hong Kong, India, Ireland, Italy, Japan, Kenya, Korea, Malaysia, Mexico, Morocco, Nigeria, Ontario, Pakistan, Portugal, Quebec, Russia, Saudi Arabia, Singapore, Spain, Sweden, Switzerland, Turkey, the United Kingdom and the United States of America (both the U.S. Commodity Futures Trading Commission and U.S. Securities and Exchange Commission). The Chair of the European Securities and Markets Authority and the Chair of IOSCO´s Affiliate Members Consultative Committee are also observers.

3. The Growth and Emerging Markets (GEM) Committee is the largest committee within IOSCO, representing more than 75% per cent of the IOSCO membership, including 10 of the G20 members. Dr. Mohammed Omran, Executive Chairman of the Financial Regulatory Authority, Egypt is Chair of the GEM Committee. The committee brings members from growth and emerging markets together and communicates members' views and facilitates their contribution across IOSCO and at other global regulatory discussions. The GEM Committee's strategic priorities are focussed, amongst others, on risks and vulnerabilities assessments, policy and development work affecting emerging markets, and regulatory capacity building.

4. IOSCO aims through its permanent structures:

   - to cooperate in developing, implementing and promoting internationally recognized and consistent standards of regulation, oversight and enforcement to protect investors, maintain fair, efficient and transparent markets, and seek to address systemic risks;

- to enhance investor protection and promote investor confidence in the integrity of securities markets, through strengthened information exchange and cooperation in enforcement against misconduct and in supervision of markets and market intermediaries; and
- to exchange information at both global and regional levels on their respective experiences to assist the development of markets, strengthen market infrastructure and implement appropriate regulation.

## MEDIA ENQUIRIES


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