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# Focus on ESG Will Continue to Grow Under Biden Administration

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In 2021, the global impact of environmental, social and corporate governance ("ESG") investing will continue to grow, with key implications for the asset management industry. The new European regime on sustainability-related disclosures in the financial sector will roll out in March 2021, affecting both European and non-European asset managers alike. In the U.S., where there is no dedicated ESG-related regulatory structure in place, investor demand for ESG-focused strategies is driving fund managers to provide additional resources in the area. In addition, the Biden administration's early focus on the environment will likely lead to greater scrutiny by the SEC. The SEC's Division of Examinations is prioritizing exams of ESG-focused strategies, and will use the U.S.'s existing regulatory framework to review ESG-related disclosures.

On February 1, 2021, the SEC announced that Satyam Khanna will serve as Senior Policy Advisor for Climate and ESG in the office of Acting SEC Chair Allison Herren Lee. In this new role, Mr. Khanna will advise the agency on ESG matters and advance related new initiatives across its offices and divisions. In the coming year, the SEC will likely be increasingly focused on whether asset managers have adequate policies in place to support disclosures regarding ESG strategies and performance. With this in mind, fund managers should seek to avoid "greenwashing" – the practice of taking credit for an environmental impact that may not be warranted – as the SEC could view this as having implications under the anti-fraud rules. To stay in compliance, fund managers should continue to build robust ESG focused policies that support disclosures regarding ESG strategies and process.

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