

Matteo Bosco: «This War Marks a Sea Change»

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«We can expect quite a change in our perceptions of dealing with ESG matters,» Matteo Bosco, partner a Conser, says in an interview with *finews.com*.

Matteo Bosco, to what extent has the war in Ukraine changed the way we deal with ESG?

Understanding and measuring the long-term impact on economies and populations will take time but according to a leading agency in the ESG world, the war [marks a sea change](#) in the geopolitical landscape.

Think about changing priorities of the states confronted with potential energy shortages or people's attitudes regarding immigration and a different picture arises depending on which country or continent you live in. We can expect quite a change in our perceptions of dealing with ESG matters.

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Do the ESG criteria need to be reconsidered?

Another leading ESG agency describes this change as the [ESG moral conundrum](#) asking if weapon-producing defense companies could make a positive contribution to social stability and sustainability – the S in ESG by helping to defend people.

«The industry is also debating about defense stocks' presence in ESG-defined portfolios»

Many such questions will be reassessed and people might reconsider their priorities under the pressure of fear or new circumstances like the increased raw materials and food prices.

Do you observe any actions in this matter already?

As a direct result of the sanctions imposed on Russian assets, several stocks were excluded from portfolios of institutional investors and indices. The industry is also debating about defense stocks' presence in ESG-defined portfolios.

«Should we rather rely on nuclear energy?»

Additionally, there is a climate-related debate on the potential consequences of the reduction of European dependence on Russian energy sources. Should we accept the increased direct cost of green energy, or should we rather rely on nuclear energy, despite future impacts which are difficult to be assessed today?

Will the impact of rising inflation on our living standards dampen our commitment to decarbonization? In the coming months, we will observe the effect of these questions.

Does «greenwashing» become an even more challenging topic now?

We have seen and can anticipate increased questioning by regulators following the large inflows on ESG strategies over the last couple of years. The Finma itself has voiced its

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concerns to asset managers and fund administrators, making clear that it will expect more transparency and accountability.

«Missing an agreed common standard of measurement, every manager has his own interpretation»

Sudden changes in investors' attitudes caused by the rapidly evolving political climate might effectively cause additional concern, especially regarding the limits of engagement from some passive asset managers on target companies.

How would you rate the present situation in the asset management industry when it comes to «greenwashing»?

If we call greenwashing the intention to dissimulate an ESG strategy without enacting any specific ESG-related investment research, we can assume that there is less than what is commonly believed. Missing an agreed common standard of measurement, every manager has his own interpretation of what ESG is and this causes a lot of confusion.

Depending on which metrics are used to verify the ESG content, this might be different from those implemented by the asset manager, causing possible different expectations and outcomes. Would we qualify this as confusion or greenwashing?

But even testing through the ESG Consensus ® based approach all self-reported article 8 world equities strategies which should promote ESG characteristics under the new European regulation, we observe a large dispersion of solutions.

«This is a costly and long-term exercise»

Part of them does not even match the standard non ESG defined benchmark. So there are some issues and we all need to work to increase transparency in the industry.

How can asset managers improve in implementing ESG criteria?

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Various recently published academic studies report on the different ESG opinions among top rating agencies. This is inducing asset managers to use multiple sources to avoid being exposed to unexpected volatility due to incomplete information.

This is a costly and long-term exercise. Industry and regulators are reacting through several initiatives to standardize where possible. Additionally, several technologies are emerging to help asset owners and asset managers to find their way through this complex path.

Matteo Bosco is a partner at [Conser](#), an ESG independent verifier, since 2019. Previously he was leading Aberdeen Asset Management for Switzerland and Southern Europe. Before he has been CEO of Credit Suisse Asset Management in Italy.