

MEMO# 32650

July 31, 2020

Asia ESG: HK Soft Consultation on Climate-Related Risks

[32650]

July 31, 2020 TO: ESG Task Force (Global)

ICI Global Regulated Funds Committee

ICI Global Regulated Funds Committee - Asia RE: Asia ESG: HK Soft Consultation on Climate-Related Risks

The Hong Kong Securities and Futures Commission (SFC) has launched a soft consultation on proposed regulatory requirements for asset managers on climate-related risk. SFC staff presented the proposal to a group of industry participants on 29 July that included ICI Global and other trade associations, as well as representatives from several asset management firms. The SFC is gathering industry views and then will release a formal public consultation later this year.

The attached presentation outlines the SFC's tentative views on the proposal, and the SFC may revise it before releasing the formal public consultation. **The SFC has permitted us to share the presentation with the understanding that it will not be circulated more broadly beyond relevant member committees, and we ask that you keep it confidential.**

The SFC is asking us to provide any comments on the proposal by 14 August. Given the extremely short timeline and the informal nature of the soft consultation, we will be submitting any significant comments or concerns to the SFC in an email response. We are working with Asia-based members who attended the meeting with the SFC to develop our submission, although please do not hesitate to reach out to us if there are any issues about which you have particular concerns. We anticipate providing a more complete submission to the SFC's formal public consultation later this year.

Proposed Requirements for Asset Managers

The proposal would apply to fund managers that manage collective investment schemes. The requirements would not apply to discretionary accounts and segregated portfolio accounts at the initial stage. Baseline requirements would apply to all fund managers, while enhanced standards would apply only to large fund managers. The SFC clarified during the meeting that fund managers who simply distribute funds would not be subject to the proposed requirements.

The SFC proposes to amend the Fund Manager Code of Conduct (FMCC) provisions on

governance, investment management, and risk management to ensure that climate-related risk is taken into account. The proposal also includes entity-level disclosure of steps taken to incorporate climate-related risks into the investment and risk management processes, including the key metrics and targets used to identify, assess, manage, and monitor the risks. Large managers are expected to disclose the weighted average carbon intensity of Scope 1 and Scope 2 GHG emissions of fund investments, aggregated at the manager level.

Overall, the amendments appear to take a less prescriptive approach than the Monetary Authority of Singapore's (MAS) proposed Guidelines on Environmental Risk Management for Asset Managers.^[1]

Proposed Disclosure for Climate Funds

The SFC also proposes requiring disclosure for funds with a climate-related focus. The proposal would require disclosures in offering documents (e.g., investment focus, strategies, measuring methodologies); disclosures in website or other means (e.g., how climate-related factors or considerations are monitored, engagement policies); and periodic assessment and reporting.

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[Attachment](#)

endnotes

^[1] A summary of the MAS consultation is *available at* https://www.ici.org/my_ici/memorandum/memo32596.