

**MEMO# 33989**

January 11, 2022

## **ICI Global Implementation Workshop: HK SFC ESG (Feb 16)**

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TO: ESG Task Force

Global Regulated Funds Committee

Global Regulated Funds Committee - Asia RE: ICI Global Implementation Workshop: HK SFC ESG (Feb 16)

On Wednesday, February 16 at 9:00 a.m. HKT (Tuesday, February 15 at 8:00 p.m. EST), ICI will host a workshop for members to discuss questions, approaches, and challenges to implementing two significant ESG-related regulatory developments in Hong Kong that were finalized in 2021: (i) SFC Requirements on the Management and Disclosure of Climate-Related Risks by Fund Managers, and (ii) SFC Circular to Management Companies of SFC-Authorised Unit Trusts and Mutual Funds - ESG Funds.

**If you have questions, challenges, or interpretations of the SFC rules for discussion with other members at the workshop, please send them to me ([Elizabeth.Lance@ici.org](mailto:Elizabeth.Lance@ici.org)) or Lisa ([Lisa.Cheng@ici.org](mailto:Lisa.Cheng@ici.org)).** We will circulate the list of questions for discussion ahead of the call.

To have a robust discussion, we encourage you to share this invitation with colleagues at your firms who are responsible for implementing the practical aspects of the new rules.

### **I. SFC Requirements on the Management and Disclosure of Climate-Related Risks by Fund Managers**

On 20 August 2021, the Hong Kong Securities and Futures Commission (SFC) published the Consultation Conclusions<sup>[1]</sup> to its October 2020 Consultation on the Management and Disclosure of Climate-related Risks by Fund Managers (Consultation)<sup>[2]</sup>. The Consultation proposed amendments to the Fund Manager Code of Conduct (FMCC) that would require fund managers to take climate-related risks into consideration in their investment and risk management process and make appropriate disclosures. The SFC also issued the Circular to licensed corporations - Management and disclosure of climate-related risks by fund managers (Circular)<sup>[3]</sup> along with a set of Frequently Asked Questions (FAQs)<sup>[4]</sup> setting out the expected standards and requirements for complying with the amended FMCC. The requirements cover four key areas: governance, investment management, risk

management, and disclosures.

The timeline for implementing these rules are as follows:

- a 12-month transition period for Large Fund Managers to comply with the baseline requirements (i.e., until 20 August 2022) and a 15-month transition period for enhanced standards (i.e., until 20 November 2022);
- a 15-month transition period for other fund managers to comply with the baseline requirements (i.e., until 20 November 2022).

## **II. SFC Circular to management companies of SFC-authorized unit trusts and mutual funds - ESG funds**

In June 2021, the SFC issued the Circular to Management Companies of SFC-authorized Unit Trusts and Mutual Funds - ESG funds (Circular). The Circular supersedes the 2019 Circular on Green or ESG funds and enhances the scope and disclosure requirements on ESG funds. The Circular sets out expectations for an ESG fund to provide a description of the fund's ESG focus and a list of ESG criteria, such as filters, indicators, ratings and third-party certificates or labels, used to measure the attainment of the fund's ESG focus. An ESG fund should also disclose the investment strategies adopted by the fund and the methodologies used to measure the ESG criteria. ICI's memo on the revised Circular can be found at: <https://www.ici.org/memo33665>

We look forward to speaking with you soon.

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