

MEMO# 35521

December 1, 2023

Asia ESG: Hong Kong Develops Voluntary Code of Conduct for ESG Ratings and Data Providers

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TO: ICI Global Members

Asia Regulatory and Policy Committee SUBJECTS: ESG

International/Global RE: Asia ESG: Hong Kong Develops Voluntary Code of Conduct for ESG Ratings and Data Providers

On October 31, 2023, the Securities and Futures Commission (SFC) announced[\[1\]](#) its support for developing a voluntary code of conduct for ESG ratings and data providers in Hong Kong. An industry-led working group, the Hong Kong ESG Ratings and Data Product Providers Voluntary Code of Conduct Working Group (VCWG), sponsored by the SFC, will lead the development of the voluntary code of conduct.

The VCWG is expected to consult on the code of conduct in March 2024. The code will be finalized approximately one month after the consultation concludes. As the code of conduct is finalized, the SFC plans to issue principles-based guidance to licensed corporations (including asset managers) on using the code of conduct for their due diligence and ongoing assessment of ESG ratings and data providers.[\[2\]](#)

ICI Global has actively engaged with the SFC over the past six months as it considered its approach. We have strongly recommended that the SFC instead focus its initiative directly on ESG ratings and data providers. We will continue our engagement as the process moves forward.

Key Expected Elements of the Voluntary Code of Conduct

The voluntary code of conduct will be developed based on the recommendations of the International Organization of Securities Commissions (IOSCO),[\[3\]](#) setting out baseline best practices on transparency, governance, systems and controls, and management of conflicts of interest. Similar to the proposed approach of the Monetary Authority of Singapore,[\[4\]](#) the code of conduct will be complemented by a self-attestation document. In developing the code of conduct, the VCWG will consider the interoperability with relevant international initiatives, in particular, how ESG ratings and data providers may make reference to their adoption of the relevant regulatory requirements of other jurisdictions in their self-

attestation to satisfy the expectations set out in the Hong Kong voluntary code of conduct.

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Notes

[1] SFC supports and sponsors the development of an industry-led voluntary code of conduct for ESG ratings and data products providers, dated October 31, 2023, available at <https://apps.sfc.hk/edistributionWeb/gateway/EN/news-and-announcements/news/doc?refNo=23PR126>.

[2] Report on the fact-finding exercises on ESG ratings and data product providers, October 2023, available at <https://www.sfc.hk/-/media/EN/files/COM/Reports-and-surveys/ENGReport-on-factfinding-exercise-on-ESG-ratings-and-data-service-providers311023-final-clean.pdf?rev=87f2ae2fda5646bfbd9219b14e930642&hash=C95F1FD957A00E66857E592C97787DA9>,

[3] FR09/21 Final Report Environmental, Social and Governance (ESG) Ratings and Data Products Providers, November 2021, available at <https://www.iosco.org/library/pubdocs/pdf/IOSCOPD690.pdf>; ICI Memorandum [33922], dated November 24, 2021, available at <https://www.ici.org/memo33922>.

[4] MAS Proposes Code of Conduct for Providers of ESG Ratings and ESG Data Products, June 28, 2023, available at <https://www.mas.gov.sg/news/media-releases/2023/mas-proposes-code-of-conduct-for-providers-of-esg-ratings-and-esg-data-products>. Also See ICI Memorandum [35413], dated August 22, 2023, available at <https://www.ici.org/memo35413>.