

**MEMO# 35939**

November 29, 2024

# **Hong Kong issues circular regarding due diligence for ESG ratings and data product providers**

[35939]

November 27, 2024

TO: ICI Global Members

Asia Regulatory and Policy Committee SUBJECTS: RE: Hong Kong issues circular regarding due diligence for ESG ratings and data product providers

On 25 November 2024, the Securities and Futures Commission (SFC) issued a circular[\[1\]](#) to provide guidance to asset managers regarding due diligence on ESG ratings and data providers, following the recent publication of the Hong Kong voluntary code of conduct for ESG ratings and data providers.[\[2\]](#)

The circular noted that asset managers may reference the Hong Kong voluntary code of conduct for ESG ratings and data providers, or other similar or higher standards, when performing due diligence on third-party ESG ratings and data product providers. Asset managers may also leverage group resources and staff, and adopt group policies and procedures in selecting and assessing these product providers.

ICI actively engaged with the SFC over the past year as it considered its approach to provide guidance to asset managers regarding due diligence on ESG ratings and data product providers. We are pleased that the SFC has incorporated the ICI feedback on its approach such that the circular provides guidance that asset managers may make reference to the Hong Kong voluntary code of conduct for ESG ratings and data providers, or other similar or higher standards, when performing due diligence on ESG ratings and data provide providers, without creating any new explicit or implicit regulatory expectations in this area.

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## Notes

[1] Circular to Intermediaries Guidance to asset managers regarding due diligence expectations for third-party ESG ratings and data products providers, dated 25 November 2024, available at <https://apps.sfc.hk/edistributionWeb/gateway/EN/circular/intermediaries/supervision/doc?refNo=24EC58>.

[2] Hong Kong Code of Conduct for ESG Ratings and Data Products Providers, October 2024, available at <https://www.icmagroup.org/assets/documents/Sustainable-finance/Codes-of-conduct/ICMA-Hong-Kong-Code-of-Conduct-for-ESG-Ratings-and-Data-Products-Providers-ENGLISH-version-October-2024-031024.pdf>. This code of conduct is developed by the Hong Kong ESG Ratings and Data Products Providers Voluntary Code of Conduct Working Group (VCWG), sponsored by the Securities and Futures Commission (SFC). ICI submitted response to the consultation draft in June 2024. See ICI Memorandum [35742], dated June 14, 2024, available at <https://www.ici.org/memo35742>.

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