

Comment for Consultation Paper on the Management and Disclosure of Climate-related Risks by Fund Managers

1. Do you have any comments on the SFC's proposal to focus on climate change or should a broader spectrum of sustainable finance should be considered in developing the requirements? Please explain your view.

We support the SFC's initiative to raise the industry's awareness of sustainable finance. The asset management firms should be required to consider the climate-related risks and incorporate these risks in their investment process unless they can explain why it does not apply to their investment strategy and investment universe.

2. Do you agree that at the initial stage, the SFC's proposed requirements should apply to the management of CISs but not discretionary accounts?

From the view of bringing the awareness of climate-related risks to the clients, we propose to make the corresponding disclosure requirements for Discretionary Account Managers mandatory, except the client chooses to waive this disclosure requirement.

3. Do you agree that the SFC should make reference to the TCFD Recommendations in developing the proposed requirements so as to minimise fund managers' compliance burden and foster the development of a more consistent disclosure framework? Other than the TCFD reporting framework, is there any other standard or framework which in your opinion would be appropriate for the SFC to refer to in developing the proposed requirements?

In the developing stage, referring to the TCFD Recommendations is recommended. We agree with using all other international standards or frameworks to reduce the burden of alignment between different standards.

4. Do you have any comments on the proposed basis for determining the threshold for Large Fund Managers, ie, HK\$4 billion, and the basis for reporting? Please explain your view.

We agree with the idea of making the threshold consistent with the European's. Even if the Fund Managers are below the AUM threshold, they should be strongly encouraged to participate on a voluntary basis.

5. Do you have any comments on the proposed amendment to the FMCC requirements, baseline requirements and enhanced standards? Please explain your view.

Adequate disclosures related to climate-related risks should be disclosed. In the disclosure, the fund managers should explain in sufficient detail how they take the climate-related risk into account. Without a detailed explanation, it is doubtful whether the fund managers consider the risk factors in the investment and risk management processes.

6. To provide a clear picture to investors on whether a fund manager has integrated climate-related considerations into its investment strategies or funds, do you agree that if the fund manager considers that climate-related risks are irrelevant to certain investment strategies or funds, it should make disclosures and maintain appropriate records to explain the rationale for its assessment?

We agree with the requirement of demanding the fund managers to disclose their rationale of not considering the climate-related risks in their investment strategies. Without disclosing the rationale, it is hard to believe the fund managers had conducted an assessment of how the climate-related risks may impact their portfolio.

7. Do you agree that climate-related disclosures (except for the disclosure of WACI) to investors should be made at an entity level at a minimum and supplemented with disclosures at a strategy or fund level to reduce burden on fund managers?

To reduce the burden in the initial stage, the fund managers should be required to make a minimum standard of disclosures regarding governance, investment and risk management at an entity level. This requirement should be later extended to the strategy or fund level when the fund managers familiarize themselves with the disclosure requirement.

8. Do you agree that disclosures of quantitative climate-related data such as WACI should only be applicable to Large Fund Managers having regard to the resources required and the size of assets covered? Do you agree that at the initial stage the disclosure of the WACI should be made at the fund level instead of the entity level?

The Large Fund Managers should be required to disclose on a mandatory basis. Other fund managers should be encouraged to disclose on a voluntary basis. At the initial stage, the WACI disclosure should be made at the entity level, not at the fund level. This is because the entity may set forth frameworks or principles to govern how the funds develop their own disclosures of climate-related data.

9. Do you think the following transition periods are appropriate? a nine-month and a 12-month transition period for Large Fund Managers to comply with the baseline requirements and enhanced standards respectively; and a 12-month transition period for other fund managers to comply with the baseline requirements. If not, what do you think would be an appropriate transition period? Please set out your reasons.

The transition period should be different for Large Fund Managers and for other fund managers. This is because the fund managers may need to approach the climate-related data providers and perhaps independent consultants for assistance. When the deadline is coming close, these third-parties may not have the capacity to cater to all the requests from all the fund managers.