



Overview of GoImpact

GoImpact bridges the great divide between the talk and action and aims to accelerate the sustainable finance agenda from intention to implementation. Recognized as a leading voice in spearheading and mainstreaming sustainable finance at the highest level, our platform is built around the three key pillars of Education, Advocacy, and Investment.

At the education level, GoImpact's learning modules are on accreditation platforms in Singapore (IBF) and Hong Kong (HKSI), and a certification academy in Dubai (DIFC academy). At the advocacy level, we have been partnering with the public as well as the corporate sector to roll out various programs to help deploy capital into sustainable investments. Such partners include UNDP, Temasek, Standard Chartered Bank and Financial Times, to name a few. At the investment level, our ESG Asia fund, among the first batch of funds approved by the Monetary Authority of Singapore (MAS) under the VCC structure, provides an investment vehicle to drive and streamline the ESG agenda.

Response to the 9 questions from the HKEX's consultation paper

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 concur that the SFC and HKEX should initially focus on climate change. Climate-related risks are the highest risks that the planet is exposed to, and the rapid speed at which it can deteriorate our planet is one that places climate-related risks at the top of the focus list. 95% of Arctic ice has melted already, and it is predicted that the Arctic could be ice free as early as 2035.¹ An ice-free Arctic will cause a catastrophic domino effect that will have severe consequences on the environment and humankind alike. Among many, consequences include the extinction of various species, the loss of coastal cities, intense heatwaves, and a global food crisis². We have already begun to feel the effect of climate change, and Covid-19 has only served to accentuate the urgency to combat climate change.

However, as sustainable finance covers a wide range of topics, the SFC's proposed requirements should, at a later stage, be broadened to include other areas of sustainability reporting. This encapsulation of ESG factors will act as a risk mitigator by minimizing risks that portfolios would have been exposed to otherwise.

Furthermore, Hong Kong's unique position as the fourth largest global market in terms of IPO and the close relationship of fundraising for many PRC corporations have drawn many foreign companies to tap into Hong Kong's international financial market. It is important that the HKEX and SFC investigate measures around sustainability reporting for such situations, and how the

1 Alejandra Borunda, "Arctic Summer Sea Ice Could Disappear as Early as 2035," August 20, 2020, <https://www.nationalgeographic.com/science/2020/08/arctic-summer-sea-ice-could-be-gone-by-2035/>.

2 Lorin Hancock, "Six Ways Loss of Arctic Ice Impacts Everyone," WWF (World Wildlife Fund), accessed December 7, 2020, <https://www.worldwildlife.org/pages/six-ways-loss-of-arctic-ice-impacts-everyone>.



capital markets and investors will be able to engage in these companies, which will continue to use Hong Kong as a platform for fundraising and IPO.

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?

Yes, at the initial stage the SFC's proposed requirements should apply to the management of CISs but not discretionary accounts. By applying the SFC's proposed requirements to the management of CISs, it guarantees a broader reach and deeper penetration of professional investors and industry sectors. CISs also have a broader universe of product offerings, allowing the impact of the application of the proposed requirements to CISs to be seen at a much quicker rate. Therefore, GoImpact believes CISs are a good point of intervention.

3. Do you agree that the SFC should make reference to the TCFD recommendations in developing the proposed requirements so as to minimize 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?

We do not believe the SFC should refer to TCFD recommendations in developing the proposed requirements. The Task Force on Climate-related Financial Disclosures (TCFD) is just one out of a plethora of initiatives for sustainable reporting. Examples of other initiatives include the Sustainability Accounting Standards Board (SASB), Impact Management Project (IMP), Global Reporting Initiatives (GRI), and Principles for Responsible Investments (PRI). Each of these reporting initiatives is different from one another, contributing to the fragmented status of sustainability reporting. This prevents us from giving preference to TCFD recommendations as TCFD recommendations only encompass one sector of the broad sustainability reporting landscape. For HKEX and SFC to readily adopt the agenda of a more consistent disclosure framework, the initiatives of other reporting bodies must be taken into consideration.

Recently, the International Financial Reporting Standards (IFRS) released a consultation paper proposing the establishment of a sustainability Standards Board (SSB). The SSB aims to develop a global framework of sustainability reporting standards that we believe will be a pivot point in establishing a conceptual framework that bridges the gap for sustainability reporting. The IFRS has long been established as an internationally recognized body of standards in financial reporting, thus we suggest observing the development of the SSB, which would be a more appropriate framework for the SFC to refer to.

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

We agree with the threshold for Large Fund Managers being HK \$4 billion, and that all fund managers must fulfil the proposed baseline requirement. This is in line with the EU sustainability taxonomy of EUR500 million threshold. In lieu of the HK \$4 billion threshold, we recommend the

implementation of a tiered fund manager approach. For example, fund managers can be distinguished into small, medium, large fund managers, with the enhanced requirements and FMCC requirements becoming more stringent the larger the fund is. While 200 out of the 1800 firms licensed by the SFC represent 80% of the total assets under management reported, we should be more inclusive in our approach and not leave behind the majority. A tiered approach promotes a level playing field regardless of the size of the fund manager.

This tiered approach will also act as an antidote against green washing. Regardless the size of the fund, reliable transparent disclosure is essential to propagate sustainable reporting into the mainstream.

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

We agree that there is a necessity for baseline requirements. We also accord that all fund managers should comply with the baseline requirements, with large fund managers adopting a more robust approach and making more detailed disclosures. However, a fairer and more appropriate approach would be to implement tiers, as explained in our answer to question 4, allowing fund managers to adopt the enhanced standards and FMCC requirements flexibly.

Regarding the proposed amendments to the FMCC requirements, baseline requirements, and enhanced standards, GoImpact has no further comments.

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 investments strategies or funds, it should make disclosures and maintain appropriate records to explain the rationale for its assessment?

Yes, we agree that if the fund manager considers climate-related risks as irrelevant to certain investment strategies or funds, it should make disclosures and maintain appropriate records to explain the rationale for its assessment. Disclosures ensure that stakeholders are held accountable for their actions and do not apply a diverse range of standards as they see fit. This transparency provides fairness and standardization among the finance industry and allows investors to have confidence in their decision-making process.

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?

Yes, we 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. However, it is crucial that these climate-related disclosures have an enforcement authority by regulators to ensure the adoption of standards by companies across the board. This affirms that investors and fund managers will be able to readily use companies' disclosures to report why they want to invest in a certain company.

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 disclosures of the WACI should be made at the fund level instead of entity level?

Yes, at the initial state, the disclosures of WACI should be made at the fund level instead of entity level. Disclosing WACI is not a simple procedure and requires significant resource levels, therefore companies and large fund managers with a fund of at least HK \$4 billion should be mandated to disclose WACI. Despite WACI being a voluntary exercise for entity-level companies and fund managers with a fund of less than HK\$ 4 billion, the disclosure of WACI should still be encouraged.

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

The proposed transition periods for large fund managers and other fund managers are appropriate and fair. There is a great urgency to combat climate change, and we cannot afford to further delay. 12 months, while seemingly a short period, is not in terms of combating or accelerating climate change.

Last year, California and Australia experienced devastating bushfires, with catastrophic effects to biodiversity, wildlife, the atmosphere, neighbourhoods, and public health. It is estimated that more than 4% of the United States' land has been burned, and as the Earth becomes more arid, these devastating wildfires will only become more common. Inversely, the pandemic has had a significant and immediate impact on greenhouse gases, with emissions of Co2 in April 2020 plummeting 17% compared to April 2019.³ While many cities saw the brief reappearance of blue skies and cleaner air, we would have to continue at this rapid decrease of carbon emissions year on year to limit global warming to 1.5 degrees Celsius.

³ Matt McGrath, "UN Report: Covid Crisis Does Little to Slow Climate Change," September 9, 2020, <https://www.bbc.com/news/science-environment-54074733>.