

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

Climate change is a great starting point and focuses on sustainability metrics that are widely available, albeit with many different estimation methodologies for companies that do not report. With the comments in Executive Summary #25, more metrics and/or broader scope may come further down the line. Across the ESG data landscape, there is a lack of disclosure at the company level, especially moving down the cap space or outside of developed markets, and within the commercially available datasets there is a clear lack of consistency across measurement, weightings, and analysts (see Berg, Koelbel, and Rigobon's conclusions [here](#)). Additionally, various metrics can be interpreted in different manners across the globe – consider diversity or board independence through the lens of an American company versus a Japanese company that compete in the same sector. As the ESG data market is constantly evolving, a thoughtful approach to timing of incorporating other aspects of ESG beyond climate should be considered. We support the focus on climate change, but encourage to explore the further spectrum as we progress.

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?

We agree, but would encourage these metrics to be conveyed to the asset owners of discretionary accounts where relevant and desired.

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?

The TCFD Recommendations should be mentioned as a model, but the final decisions, as long as defensible, should be left up to the asset manager. The focus should be more on providing transparency to the end investor rather than creating additional layers within the investment management process. This is what we, as a large asset manager, are looking for from the companies we invest in and engage with. If entities we invest in do not take climate considerations into account, this is fine, but we know and can adjust accordingly (the overarching tenet of asset management) based on the investment strategy.

There are interpretation / standardization issues using carbon metrics across a number of asset classes and we would support the Partnership for Carbon Accounting Financials (PCAF) [methodologies](#) for each separate asset class.

If the scope ends up being broader than climate, we would be a proponent of mentioning the SASB [Standards](#) as well given the focus on materiality based on the business model of the Sustainability Industry Classification System.

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.

As a large asset manager, this threshold seems reasonable to us.

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

As these standards will be applied to collective investment schemes, these sound reasonable at the fund board level and within the investment/risk process. We would caution on being overly prescriptive as the intent should be to provide transparency to the end investor that has the optionality to move assets elsewhere if they do not approve of the steps taken at the manager level.

It is worth noting that there are many different emission estimation methods, numerous transition scenarios, and climate VaR calculation methods. These can lead to different conclusions, but will a good starting point to move the industry in this direction.

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?

This seems reasonable.

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?

The overall entity disclosure on the approach managers take for climate-related issues would be sufficient with more detailed data /analysis at the strategy level. As asset owners have many different approaches to investing, the efforts and structure of asset manager related to climate may not be relevant, but the impact within the portfolio surely would be as a fiduciary. We therefore support disclosure at a fund/strategy level, but find entity-level not as useful or meaningful.

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?

As a large asset manager, we are agnostic to the initial question, but the WACI should only apply to the fund level as this is what asset owners are evaluating. Given the entity level disclosure on the governance, oversight, and management across the business, this would be more indicative to asset owners than an entity level WACI that would be broken out across the various asset classes.

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.

For large asset owners, we are still trying to work through the various requirements of the EU Taxonomy which will come online later in 2021. There was an 18 month lead time with these

regulations, which while burdensome, may still be workable. We are relying upon our data vendors to provide effective solutions that will help us navigate the regulations. We would suggest working with the ESG data vendors on what they see would be a viable timeline before setting the final effective date. Based on the proposal, asset managers may need ample time to plan, prepare, and organize the various processes and structural changes mandated, hence, 18 months might be more of an appropriate transition period timeframe.