

The Securities and Futures Commission

54/F One Island East

18 Westlands Road

Quarry Bay, Hong Kong

4 January 2021

To whom it may concern

Re: Consultation Paper on the Management and Disclosure of Climate-related Risks by Fund Managers, October 2020ⁱ

Some of these responses while indicated against a question have relevance more broadly and not just as an answer to the question number as indicated.

1. The rationale for focussing on climate change is compelling – given the global scale, imminence, irrevocability etc – however to do so undermines the complete and true impact of ESG matters to fund managers, and fund managers to ESG matters, and potentially could be seen to be relinquishing fund managers from their broader fiduciary duties to effectively consider all material risks and opportunities in making investment decisions.

The requirements would be better framed to serve a broader spectrum of ESG matters, all be it climate change could be highlighted in this latest round of changes.

2. Disagree – Given the enormity and urgency of climate change issue plus the acceptance of materiality being a concept that dictates other elements of the proposed revisions to the FMCC eg in para 55, it is out of step to propose the SFC’s new requirements should not apply to the management of certain (discretionary) accounts, as this could result in a material climate risk being excluded due to the vehicle, rather than the materiality of the issue. To allow such exclusions is at odds with overall intention stated in the Executive Summary para 6, requiring disclosures “to the extent that climate-related risks are considered to be relevant”.
3. Agree, SFC should make reference to TCFD Recommendations and align the new code as much as is practicable to avoid further fragmentation of requirements for global players and enhance comparability across different fund managers, this being a goal of this exercise set out in para 3.

As referenced in answer 1, such an approach would also mean including consideration of material climate-related opportunities in the changes to the FMCC.

This would also serve to drive disclosures to be in line with HKEX's requirements for issuers, since HKEX's new ESG Reporting Guideline also aligns to TCFD. Standardisation of approaches and disclosures across different entities, as well as jurisdictions, should improve understanding and analyses of the new information disclosed.

While the PRI climate risk indicators already align with the TCFD recommendations, it would be worth tracking PRI developments, for disclosures and more, given the increasing support it is winning from international fund managers, as evidenced by the huge increase in signatories. Aligning with PRI as much as is practicable is likely to improve uptake and application of the FMCC.

4. No comment
5. No comment
6. Agree – disclosure of the rationale for the assessment that climate-related risks are irrelevant would be very insightful and useful to understand, plus the very requirement to make such a disclosure is likely to encourage even more robust and deliberate evaluation and consideration of the decision.
7. Agree – support overall application of concept of materiality plus consideration of what's informative versus what's commercially sensitive, as well as cost/benefit of disclosures. Over time, disclosure expectations may require more details to be shared.
8. Agree – support overall application of concept of materiality plus consideration of what's informative versus what's commercially sensitive, as well as cost/benefit of disclosures. Over time, disclosure expectations may require more details to be shared.
9. Agree, but given the scale and urgency of climate-related issues, early adoption should be encouraged.

Regarding Personal Information Collection Statement, I consent to SFC disclosing the fact Red Links Limited submitted this response to this public consultation.

Yours sincerely

ⁱ <https://apps.sfc.hk/edistributionWeb/api/consultation/openFile?lang=EN&refNo=20CP5>