

Climate-related Risk Management and Disclosure of Fund Managers Consultation Conclusion from SFC

The Securities and Futures Commission of Hong Kong (“SFC”) has published the consultation conclusion on proposed climate-related risk management and disclosure requirements for fund managers in August 2021. The standards for fund managers managing collective investment schemes to take climate-related risks into consideration in their investment and risk management processes will be effective by as early as August 20, 2022.

A Glance at the Climate-related Risk Management and Disclosure Framework

1. Governance



Board’s roles and responsibilities:

- Define the **board’s or the board committee’s role** in overseeing climate risk management
- Oversee progress against goals for addressing climate issues
- Determine how the board or the board committee executes this role

Management’s roles and responsibilities:

- Assign roles and responsibilities
- Establish **monitoring mechanism** and **internal control system**
- Formulate **goals** and **action plan**
- Devote sufficient human and technical resources



2. Investment Management

- Identify relevant and material **physical and transition risks** for each investment strategy and fund it manages
- Factor the material climate risks into the investment management process
- **Assess the impact** of these risks on the performance of underlying investments

3. Risk Management



- **Incorporate climate risks into risk management framework** to ensure steps have been taken to identify, assess, manage and monitor the risks for each investment strategy and fund
- Apply **appropriate tools and metrics** to assess and quantify the risks



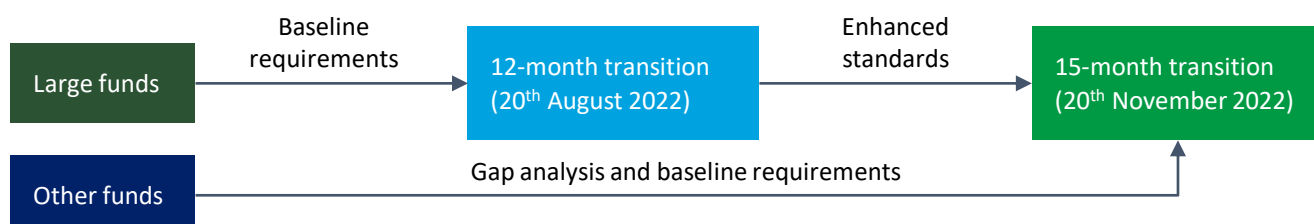
4. Disclosure

- Describe **governance structure, board’s roles and oversight and the management’s roles and responsibilities**
- Describe **investment management and risk management** per requirements in the relevant sections above
- Review disclosures **at least annually** and update disclosures where considered appropriate

Enhanced disclosure (For licensed corporations with CISs under management **equalling or exceeding HK\$8 billion**)

- **Assess the relevance and utility of scenario analysis** in evaluating the resilience of investment strategies to climate risks under different pathways
- Take responsible step to **identify the portfolio carbon footprint of Scope 1 and Scope 2 carbon emission**
- Describe the **engagement policy** to illustrate how material risks are managed at the entity level
- Provide portfolio carbon footprint of Scope 1 and Scope 2 carbon emission at the fund level

Implementation timeline



Deloitte, a global leader on Sustainability and Climate Risk Management

We are one of the leading providers of global sustainability services across all geographies and industries with unparalleled access to various players within the global sustainability ecosystem.



Globally, **more than 900 Deloitte partners** and professionals deliver sustainability-related services



Deloitte ranked #1 in brand preference, for both **Sustainability Assurance and Consulting**, based on a global survey conducted by Verdantix



Over 50 countries in which we have provided clients with specialised **services in a wide variety of sustainability-related disciplines**



5 billion in value has been identified as a result of our global reach and **demonstrated success**



Actively provide integrated market research and analysis related to climate change through qualitative and quantitative studies. One of our latest research reports - **China's turning point: How climate action can drive our economic future** shows that rapid decarbonisation could yield economic gains of approximately RMB116 trillion (in present value terms) for China's economy by 2070.

<https://www2.deloitte.com/content/dam/Deloitte/cn/Documents/about-deloitte/cn-dtt-turningpoint-report-en-210823.pdf>

How Deloitte could support you

- Provide advisory service on governance structure, investment and risk management process, and engagement policy
- Review climate-related risk management
- Assist in TCFD Framework implementation and disclosures
- Perform relevance and materiality assessment of climate-related risk
- Support climate scenario analysis in evaluating the resilience of investment strategies under different pathways
- Assist in compiling relevant disclosures in accordance with the SFC's proposed framework
- Assist in computation of WACI/portfolio carbon footprints
- Provide WACI and portfolio carbon footprints assurance

Contact Us



Mohit Grover
Partner
Email: moitgrover@deloitte.com.hk
Phone: +852 28525606



Tony Wood
Partner
Email: tonywood@deloitte.com.hk
Phone: +852 28526602



Melissa Fung
Partner
Email: melfung@deloitte.com.hk
Phone: +852 28525815



About Deloitte

Deloitte refers to one or more of Deloitte Touche Tohmatsu Limited ("DTTL"), its global network of member firms, and their related entities (collectively, the "Deloitte organization"). DTTL (also referred to as "Deloitte Global") and each of its member firms and related entities are legally separate and independent entities, which cannot obligate or bind each other in respect of third parties. DTTL and each DTTL member firm and related entity is liable only for its own acts and omissions, and not those of each other. DTTL does not provide services to clients. Please see www.deloitte.com/about to learn more.

Deloitte is a leading global provider of audit and assurance, consulting, financial advisory, risk advisory, tax and related services. Our global network of member firms and related entities in more than 150 countries and territories (collectively, the "Deloitte organization") serves four out of five Fortune Global 500® companies. Learn how Deloitte's approximately 330,000 people make an impact that matters at www.deloitte.com.

Deloitte Asia Pacific Limited is a company limited by guarantee and a member firm of DTTL. Members of Deloitte Asia Pacific Limited and their related entities, each of which are separate and independent legal entities, provide services from more than 100 cities across the region, including Auckland, Bangkok, Beijing, Hanoi, Hong Kong, Jakarta, Kuala Lumpur, Manila, Melbourne, Osaka, Seoul, Shanghai, Singapore, Sydney, Taipei and Tokyo.

The Deloitte brand entered the China market in 1917 with the opening of an office in Shanghai. Today, Deloitte China delivers a comprehensive range of audit & assurance, consulting, financial advisory, risk advisory and tax services to local, multinational and growth enterprise clients in China. Deloitte China has also made—and continues to make—substantial contributions to the development of China's accounting standards, taxation system and professional expertise. Deloitte China is a locally incorporated professional services organization, owned by its partners in China. To learn more about how Deloitte makes an Impact that Matters in China, please connect with our social media platforms at www2.deloitte.com/cn/en/social-media.

This communication contains general information only, and none of Deloitte Touche Tohmatsu Limited ("DTTL"), its global network of member firms or their related entities (collectively, the "Deloitte organization") is, by means of this communication, rendering professional advice or services. Before making any decision or taking any action that may affect your finances or your business, you should consult a qualified professional adviser.

No representations, warranties or undertakings (express or implied) are given as to the accuracy or completeness of the information in this communication, and none of DTTL, its member firms, related entities, employees or agents shall be liable or responsible for any loss or damage whatsoever arising directly or indirectly in connection with any person relying on this communication. DTTL and each of its member firms, and their related entities, are legally separate and independent entities.