


Service Overview

Hong Kong, the last year, has been extremely active on the Environmental, Social and Corporate Governance (ESG) front with the Hong Kong Monetary Authority (HKMA), Hong Kong Exchange (HKEX) and the Securities & Futures Commission (SFC) all releasing new ESG related requirements.

HKMA




In June 2020 the HKMA issued a white paper on the supervisory expectations for banks in Hong Kong related to climate related issues, dividing up their requirements amongst four categories: Governance, Strategy, Risk Management and Disclosures. The white paper, which is intended to apply to all Authorized Institutions (AI). AIs should take into consideration the complexities of their operations, as well as the stage of development they are in related to climate issues.

Since this white paper was issued, the HKMA also issued a circular related to ESG practices noted by some of the larger banks in Hong Kong. This latest circular is intended to assist banks in the development of ESG related approaches they should be considering in managing climate risk.

Finally, the HKMA also launched a climate stress testing exercise in assessing the climate related resilience of the banking sector.


HKEX



Recent amendments to the HKEX's ESG Reporting rules came into effect on the 1st of July 2020. The guidance requires issuers to make additional ESG disclosures for the financial year on or after this date. Key changes include a mandatory statement on the board's consideration around ESG matters and progress around these targets which should also include the board's oversight and strategy on ESG and disclosures on significant climate related issues impacting Hong Kong listed issuers. Furthermore, environmental key performance indicators have been amended to require disclosures of any relevant targets and social KPIs have been upgraded in relation to reflect the new disclosure requirements. The deadline for publication of ESG reports has also been amended to five months after the financial year end. Additionally, in December 2020, the HKEX published a practitioner's guide on Corporate Governance and ESG matters which incorporates industry perspectives on ESG.

To close out 2002, the HKEX launched the Sustainable Green Exchange called STAGE. STAGE chiefly is an investment product platform to support the growth of sustainable green finance investing in Asia. STAGE hosts a product database which highlights sustainable investment products that are listed on the HKEX.

SFC

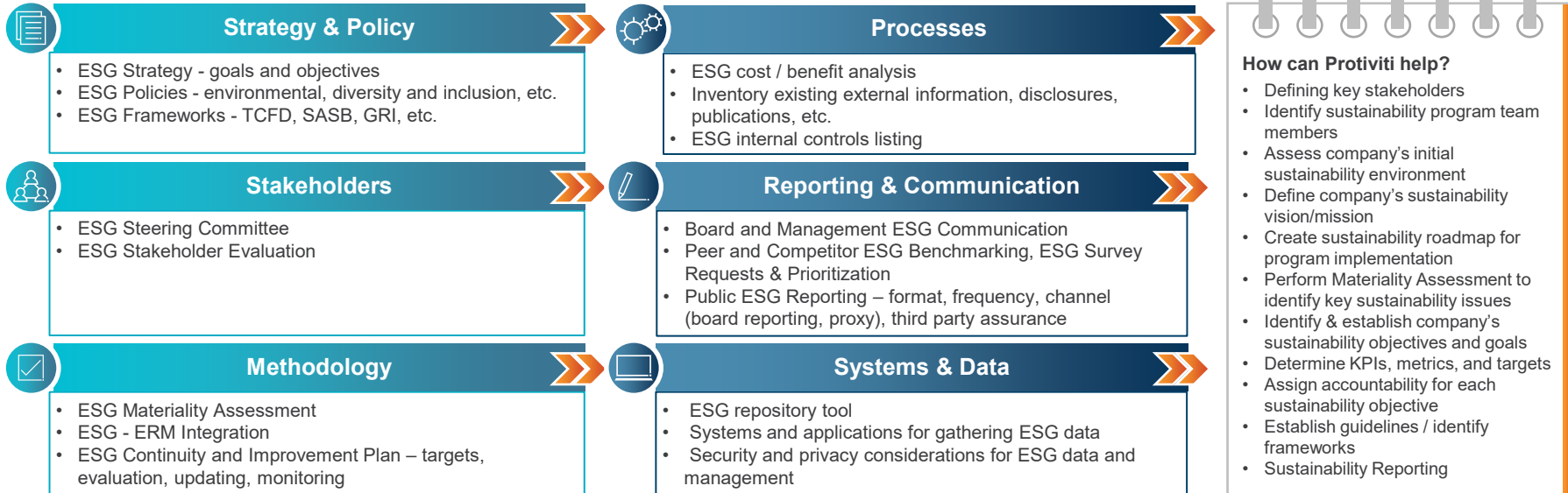


In January 2021, following a three-month consultation period, the SFC issued a paper seeking to amend the fund manager code of conduct. The proposed requirement covers four main areas: Governance, Investment Management, Risk Management and Disclosures. The proposal states that fund managers licensed in Hong Kong should take climate related risks into consideration in their investment and risk management processes and also calls for improved disclosure requirements for fund managers to combat green washing.

There are several suggested requirements, and the implementations are based on the size and complexity of the fund managers business and investment strategies. Funds with an AUM of HK 4B or more would be required to take a more robust view and more detailed disclosure requirements would be required. The SFC calls for the requirements be at an entity level even for fund managers that manages a collective investment.

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In establishing a successful ESG program, the following six elements of infrastructure with corresponding deliverables should be in place:



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Contacts



Josh Heiliczer

Managing Director,
Joshua.heiliczer@protiviti.com
+852 9810 7960



Dylan Paldano

Director,
Dylan.paldano@protiviti.com
+852 5100 5245