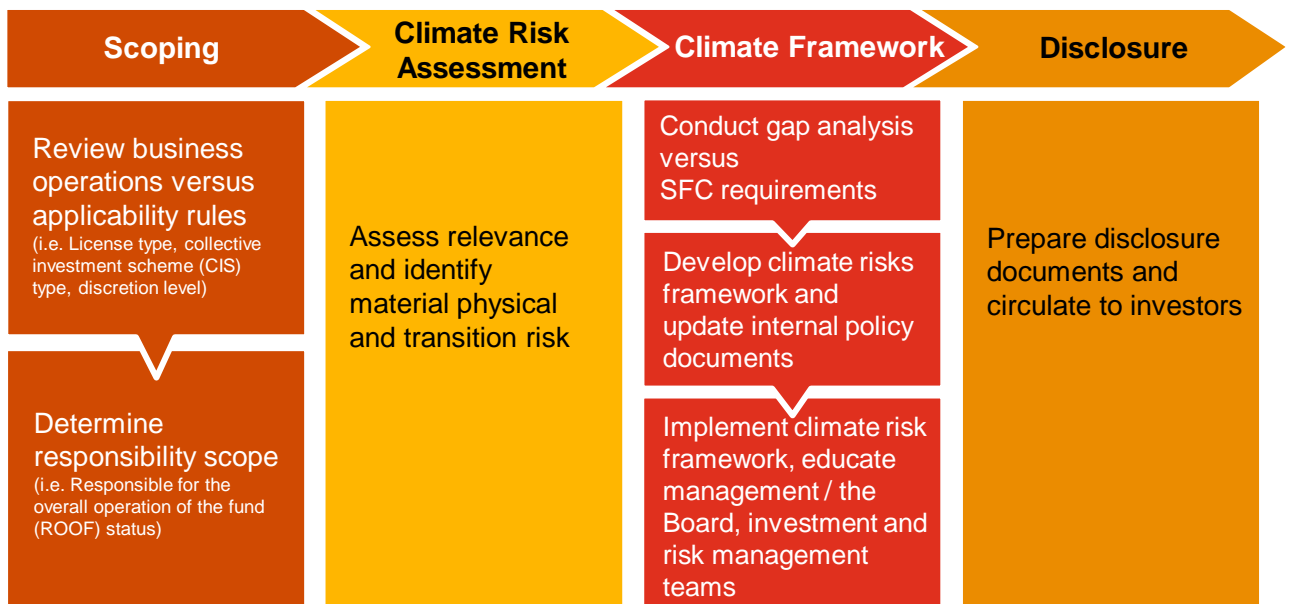


# Climate Risk Disclosure for Fund Managers – Time for Action

As the deadlines\* for compliance with the SFC’s amendment to the Fund Manager Code of Conduct (FMCC) for climate risk are approaching, we outline below an **action plan for fund managers** in developing their climate risks frameworks and disclosure documentation.



## Understand steps to be taken & determine whether support is needed



## Practical suggestions for fund managers

- ▶ Perform in-depth review of fund documents and internal policies and procedures to determine in-scope applicability and if and to what extent an exemption applies.
- ▶ Analyse the fund’s physical and transition risk to tailor climate risk management suitable for the fund’s investment strategies and asset classes.
- ▶ Avoid “boilerplate” disclosures which do not accurately reflect the climate risk framework.
- ▶ If disclosure is required, determine the level of detail to disclose, when and where this should be done.
- ▶ Engage appropriate consultant early to support and advise to avoid a last minute rush.

\* Large fund managers with AUM of HK\$8 billion or above must comply with baseline requirements by 20 August 2022 and enhanced standard by 20 November 2022, whilst all other in-scope fund managers must comply with baseline requirements by 20 November 2022.



## How we can help

### 01 Scoping: Legal guidance on evaluation of CIS & ROOF applicability

- Assess **in-scope** applicability, taking into consideration SFC license type and definition of collective investment scheme (CIS)
- Assess whether the licensed entity is **responsible for the overall operation of the fund (ROOF)** to determine disclosure requirements
- Advise on documentation where an **exemption** applies

### 02 Climate risk assessment: Expertise on climate risk & methodologies to determine materiality

- Assess funds for **relevance** of climate risks considering investment strategy and horizon
- Assess **materiality** of funds considering factors including geographical exposure, sectoral exposure, emissions intensity, and management quality
- Advise on **documentation** where climate risk is assessed to be irrelevant or immaterial

### 03 Climate framework: Operational advice on governance, investment management and risk management procedures

- Identify **gaps** between existing climate risk management approach and SFC requirements
- Develop **roadmap** and/or **action plan** to ensure timely compliance
- Develop **climate risk framework** and update internal policy documents
- Support on **enhanced requirements** including portfolio carbon footprint assessment, scenario analysis, and engagement policy
- Provide **trainings** to the Board, investment and risk management teams on climate risks

### 04 Disclosure

- Determine the level of detail to disclose, when and where this should be done
- Draft disclosure documents **tailored** to the climate risk framework and/or review disclosures



## Contact us

PwC and Tiang & Partners offer a unique combination of **legal, regulatory** and **climate** expertise. We have supported a number of fund managers to date across multiple asset classes including public and private strategies.

Contact us for further information on how we can help you ahead of the upcoming deadline.

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