

“

ESG

MAKE YOUR FUND SUSTAINABLE

- Hong Kong: SFC Amendments to the Fund Manager Code of Conduct
- EU: Mandatory ESG Disclosure Obligations of SFDR
- GreenCo Solutions

1. ESG Policy Building
2. Carbon Management and Climate Target-Setting Model
3. ESG Integration & Performance Evaluation (PIPE) Tool

”

FUND

SFC Proposed Amendments to the Fund Manager Code of Conduct

On 29 October 2020, Hong Kong's Securities and Futures Commission published its Consultation Paper on the Management and Disclosure of Climate-related Risks by Fund Managers, in which SFC proposed new mandatory requirements for Hong Kong fund managers of collective investment schemes (CIS) around climate-related risks, as an action to address the implications of climate change and in response to the strategic framework announced in 2018 to support the development of green finance in Hong Kong.



Governance



**Investment
Management**



**Risk
Management**



Disclosure

Subject to the Consultation conclusions, amendments will be made to the FMCC and specific baseline requirements for each of the above aspects will be set out in a circular to be issued by the SFC.

SFDR Imposed Mandatory ESG Disclosure Obligations for All Market Participants

The Sustainable Finance Disclosure Regulation (SFDR) imposes mandatory ESG disclosure obligations for all financial market participants and financial advisors in the European Union with substantive provisions of the regulation effective from 10 March 2021. For scoped entities, sustainability impacts must be identified and disclosed at both the entity and product level.

At the entity level, disclosures including

-Information (including policies) on how an entity integrates sustainability risks in its investment decision-making process or financial advice, and how the Principal Adverse Impacts of investment decisions on sustainability factors, etc.

At the product level, disclosures including

-An explanation on how the objective is achieved for pre-contractual disclosures of products that have sustainable investment as an objective, etc.

ESG Policy Integration & Performance Evaluation (PIPE)



The tool captures the principal sustainability impacts of investment decisions on ESG factors, as well as developing policies of integrating sustainability risks into decision-making processes. Fund managers can quantify the environmental, social and corporate governance characteristics of products, while performing accurate and timely benchmarking against self-selected comparable companies from various sustainability dimensions. Through our ESG evaluation tool, it is possible for fund managers to build up their own in-house scoring and rating tool.

DEMO



It's a quantifiable, meaningful and ongoing measurement and benchmarking solution unique to the user against customised environmental, social and corporate governance criteria that supports meaningful and transparent disclosures on sustainability risks.



Corporate Carbon Management and Climate Target-Setting Model

A digital platform where fund managers can easily calculate and evaluate carbon footprint in a scientific manner. Fund managers who assess the carbon performance of investee companies for active engagement, analyse its portfolio's exposure to carbon-intensive companies through Weighted Average Carbon Intensity (WACI), or build plans and goals for addressing climate-related risks as part of governance processes, can automatically obtain an overview of the GHG profile. Moving forward, fund managers can positively influence the emission targets of the investee companies.

01

TAILOR-MADE PLATFORM FOR PRECISENESS

02

ALIGNMENT WITH CLIMATE GOALS

03

GOOD PRACTICABILITY

04

CONTINUOUS UPDATE & SUPPORT

$$\sum_n \frac{(\text{current value of investment}_i * \frac{\text{issuer's Scope 1 and Scope 2 GHG emissions}_i}{\text{issuer's \$ million revenue}_i})}{\text{current portfolio value}}$$

DEMO





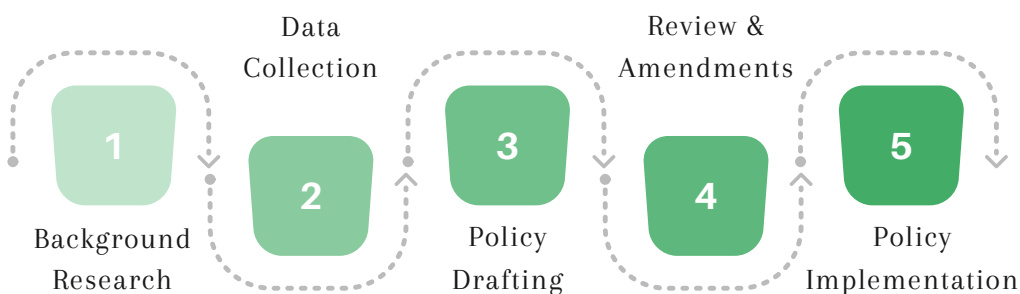
ESG Policy Development for financial institutions/Business Enterprises

01 Case Study — A Venture Capital Firm

Policy Foundation

- The United Nations Global Compact;
- Principles for Responsible Investment;
- The ILO conventions on labour standards; etc

Development Procedures



Total AUM:

US\$300 million

Funds Under Management:

**4 USD funds, 1 annex fund,
1 RMB fund, 10 SPVs**

Region Focus:

China and US dual regions

Sector:

Emerging Tech & Healthcare

Deliverables

- A documented policy that covers responsible investment mandate, governance structure, ESG integration guidelines, selection procedures of external investment managers, active ownership, engagement principles, reporting process, screen criteria, etc.
- ESG Checklist for Investment Decisions

02 Case Study — A Hong Kong Listed Company

Market Capitalisation:

HK\$ 45 Billion

Business Sector:

Flavours & Fragrances

Business Regions:

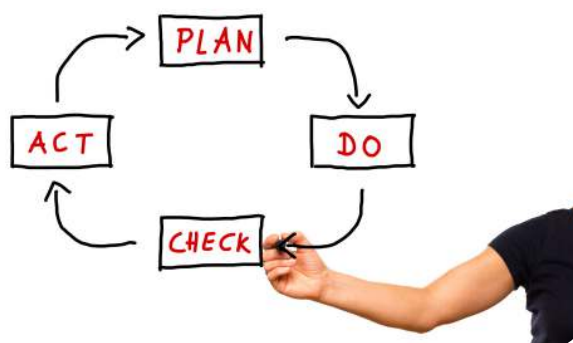
**Mainland China, Hong Kong,
South Africa and Europe**

GHG Profile:

55,052 Tonnes

(Scope 1, 2 & 3)

Development Procedures



Plan: make a two-year plan for policy and system development;

Do: collect material information and develop procedures for climate actions;

Check: carry out gap analysis with TCFD, SBTi Absolute Contraction and other industry frameworks to build climate resilience;

Act: systematise the process that continues to address root causes of problems, non-conformities to standards, inefficiencies for actions and opportunities for improvement.

Deliverables

- A documented policy and sustainability framework that covers climate commitment, accountability, governance, physical and transition risk management, strategy for risk mitigation and adaptation, metrics and SBTi goals for continuous monitoring and improvement, execution plans, and reporting, etc.
- Self-Assessment Framework & Ongoing Advisory Support



+852-2873 3612



esg@greenco-esg.com