G.N. 5070

SECURITIES AND FUTURES ORDINANCE (Chapter 571)

Pursuant to section 399 of the Securities and Futures Ordinance, the Securities and Futures Commission publishes the following amendments to the Fund Manager Code of Conduct. These amendments shall become effective on 20 August 2022.

1. Add the following paragraph after paragraph 3.1 of the Fund Manager Code of Conduct:—

   "3.1A A Fund Manager should identify relevant and material climate-related risks and ensure that material risks are taken into account in its investment management process for funds."

2. Substitute paragraph 3.11.1(b) of the Fund Manager Code of Conduct:—

   "(b) to which each fund is or may be exposed, such as market, liquidity, counterparty and climate-related risks, and other risks, including operational risks, which may be material for each fund it manages, taking into account the nature, scale and complexity of its business and of the investment strategy of each of the funds it manages."

3. Add the following paragraphs after paragraph 6.2 of the Fund Manager Code of Conduct:—

   "6.2A Where a Fund Manager is responsible for the overall operation of a fund, it should make adequate disclosure of information in relation to climate-related risks to allow fund investors to make an informed judgement about their investment into the fund, including:

   (a) its governance arrangement for oversight of climate-related risks; and

   (b) how it takes climate-related risks into account in its investment and risk management processes, including the tools and metrics used to identify, assess, manage and monitor the risks.

   Notes:

   (i) If climate-related risks have been assessed to be relevant but immaterial to all investment strategies or funds under its management, the Fund Manager should disclose (a) its governance arrangement and (b) its investment and risk management processes but only in relation to how it identifies and assesses the risks.

   (ii) If climate-related risks have been assessed to be irrelevant to certain types of investment strategies or funds under its management, the Fund Manager is required to disclose such exceptions."

4. Add the following paragraph after paragraph (a) under the section "Particular requirements in the Code which are not applicable to Discretionary Account Managers" of Appendix 1 to the Fund Manager Code of Conduct:—

   "(aa) Climate-related risks

The requirements in relation to the consideration of climate-related risks and the corresponding disclosure requirements are not mandatory for a Discretionary Account Manager. The Discretionary Account Manager may however have the contractual obligation to take climate-related risks into consideration in the investment mandate. (Paragraphs 3.1A, 3.11.1(b) (for climate-related risks only) and 6.2A of this Code)"

5. Add the following paragraphs after paragraph E of Appendix 2 to the Fund Manager Code of Conduct:—

"**F. Climate-related risks**

1. Climate-related risks may represent physical risks which stem from the direct impact of extreme weather events and progressive, longer-term shifts in the climate patterns and transition risks associated with the transition to a low-carbon economy. Physical or transition risks may trigger liability risks which Fund Managers should also take into consideration in the risk assessment processes. In addition, climate-related risks may have implications for other financial risks such as credit, market and liquidity risks.

2. A Fund Manager should establish and maintain effective systems, policies and procedures to: (i) identify relevant climate-related risks; (ii) assess the potential impact of the identified risks on each investment strategy and fund; and (iii) monitor and manage these risks on an ongoing basis."

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