

Deadlines looming for SFC ESG and climate-related requirements

The Securities and Futures Commission's (**SFC**) enhanced disclosure guidelines for SFC-authorized unit trusts and mutual funds that identify themselves as ESG funds – i.e. incorporate ESG factors as their key investment focus and reflect such in the investment objective and/or strategy came into effect 1 January 2022.

Superseding its 2019 equivalent, the rules apply to management companies of SFC-authorized unit trusts and mutual funds. Read here for further details: [The SFC adopts a firmer approach to ESG funds \(shlegal.com\)](https://www.shlegal.com/en/insights/sfc-adopts-a-firmer-approach-to-esg-funds)

Further, deadlines relevant to SFC's climate-specific requirements are fast closing. These come under the separate SFC Circular on Management and Disclosure of Climate-related Risks by Fund Managers, and the underlying Consultation Conclusions on the Management and Disclosure of Climate-related Risks by Fund Managers (**SFC Climate Requirements**).

The SFC Climate Requirements, issued 20 August 2021, distinguish two types of fund managers – large entities with at least HK\$8 billion (approximately US\$1 billion) in assets under management (**AUMs**) across any three months in the past reporting year (**Large Fund Managers**), and the rest. While all fund managers with discretions are subject to baseline criteria, Large Fund Managers also need to comply with enhanced requirements.

Deadlines for compliance

	Large Fund Managers	Other Fund Managers
Baseline requirements	20 August 2022	20 November 2022
Enhanced requirements	20 November 2022	NA

For more information on the SFC Climate Requirements, click [here](#) for our partner Penelope Shen's take on how the new policy impacts Hong Kong fund managers and thrusts the city into the forefront of sustainable finance.

Why Stephenson Harwood?

We are familiar with global guidelines and best practices

- We monitor closely global and local ESG development; we are also in Hong Kong Green Finance Association's working group for policy research
- We cultivate a wide network in the ESG space and are able to connect clients to relevant experts for solid ESG integration
- We conduct frequent discussions with fund managers; the bottomline remains that we understand your needs and concerns

Contact us for a tailored proposal on how Stephenson Harwood can help meet your regulatory obligations and more importantly, support your ESG integration in the longer term.

Get in touch



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Penny is one of Hong Kong's leading funds lawyers who counts among her clients the region's top asset managers. She is consistently sought after for both direct expertise and keen market intelligence. Penny focuses on the structuring, establishment and regulations of investment funds of all types (hedge, venture capital, private equity, real estate, credit, QFI and hybrid funds).

She has expertise and experience with a range of fund vehicles, including companies, limited partnerships and unit trusts in multiple jurisdictions, such as the Cayman Islands and BVI, as well as the open-ended fund company (OFC) and limited partnership fund (LPF) in Hong Kong, and the variable capital company (VCC) in Singapore.

Her years of providing legal leadership advice to such clients extends naturally to advising on compliance and regulatory requirements, discretionary management agreements, derivatives documentation (including ISDA and prime brokerage agreements) and negotiating limited partnership agreements and side letters. Her clients include some of the largest asset managers in Hong Kong, China and Singapore.

Penny kickstarted the firm's Asia ESG initiative and was instrumental to the firm joining the Hong Kong Green Finance Association. As a leading funds practitioner and corporate/social responsibility advocate, Penny is dedicated to ESG issues affecting asset managers in the region.

Named in the Legal 500 and IFRL1000 lists of the city's top funds solicitors.



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Tze-wei is an associate in the private wealth department with a focus on philanthropy and ESG. She advises clients across the impact spectrum: from charities and philanthropists, to purpose-driven companies and ESG & impact investors. She regularly speaks and writes about ESG and corporate governance developments, working in collaboration with the firm's funds and corporate practice.

She was involved in setting up some of Hong Kong's earliest social finance platforms and vehicles, and is active in B Corp and purpose-driven business discussions in Hong Kong. She is a co-author of the Corporate Governance chapter of Asian Legal Business (ALB) Hong Kong IPO Handbook 2021.

As part of the private wealth team she also has experience in trusts, family governance, wills, estate planning and administration.

She is an active member of the policy research working group of the Hong Kong Green Finance Association.

She was a member of the founding team of Sustainable Finance Initiative, which aims at building a community of private investors in Asia active in impact investing.

Named in the Legal 500 as a Rising Star in the Private Client segment.

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