

[35742]

June 14, 2024

TO: ICI Global Members  
Asia Regulatory and Policy Committee

SUBJECT ESG  
S: International/Global

RE: ICI Responds to Proposed Hong Kong Voluntary Code of Conduct for ESG Ratings and Data Providers

ICI submitted the attached response to the consultation launched by the Hong Kong ESG Ratings and Data Products Providers Voluntary Code of Conduct Working Group (VCWG), sponsored by the Securities and Futures Commission (SFC),<sup>[1]</sup> on a draft voluntary code of conduct for ESG ratings and data product providers.<sup>[2]</sup>

The draft code of conduct largely aligns with the recommendations of the International Organization of Securities Commissions (IOSCO), setting out principles on good governance, security quality, conflicts of interests, transparency, confidentiality, and engagement.<sup>[3]</sup> Similar to the approaches of the Monetary Authority of Singapore<sup>[4]</sup> and the UK ESG Data and Ratings Working Group (DRWG),<sup>[5]</sup> ESG ratings and data providers who sign on to the Hong Kong code of conduct would be expected to publish on their websites, and review at least annually, a self-attestation document on their approach to the implementation of the code of conduct. ESG ratings providers would have six months to implement the six principles, while ESG data providers would have 12 months to do so.

ICI broadly welcomes the VCWG's approach in developing a voluntary industry code of conduct as an important step toward improving transparency by ESG ratings and data product providers, and the recognition of the importance of international interoperability of Hong Kong's code of conduct.

However, we are concerned that the proposed code of conduct is not clear regarding its potential applicability to internal ESG ratings and data produced by asset managers that are provided to clients for purposes of reporting and communicating internal investment processes. In this regard, ICI recommends that the VCWG clarify the exclusion of internal ESG ratings and data covers those provided to third parties as long as they are not provided or marketed on a commercial basis ( e.g., for a fee).

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### Notes

[1] See ICI Memorandum [35521], dated December 1, 2023, available at <https://www.ici.org/memo35521>. See Also SFC supports and sponsors the development of an industry-led voluntary code of conduct for ESG ratings and data products providers, dated October 31, 2023, available at <https://apps.sfc.hk/edistributionWeb/gateway/EN/news-and-announcements/news/doc?refNo=23PR126>.

[2] Consultation on Hong Kong Code of Conduct for ESG ratings and data products providers, May 17, 2024, available at <https://www.icmagroup.org/sustainable-finance/icma-and-other-sustainable-finance-initiatives/the-hong-kong-esg-ratings-and-data-code-of-conduct-working-group-2/>.

[3] See ICI Memorandum [33922], dated November 24, 2021, available at <https://www.ici.org/memo33922>. Also See FR09/21 Final Report Environmental, Social and Governance (ESG) Ratings and Data Products Providers, November 2021, available at <https://www.iosco.org/library/pubdocs/pdf/IOSCOPD690.pdf>;

[4] See ICI Memorandum [35542], dated December 13, 2023, available at <https://www.ici.org/memo35542>.

[5] See ICI Memorandum [35571], dated January 5, 2024, available at <https://www.ici.org/memo35571>.

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