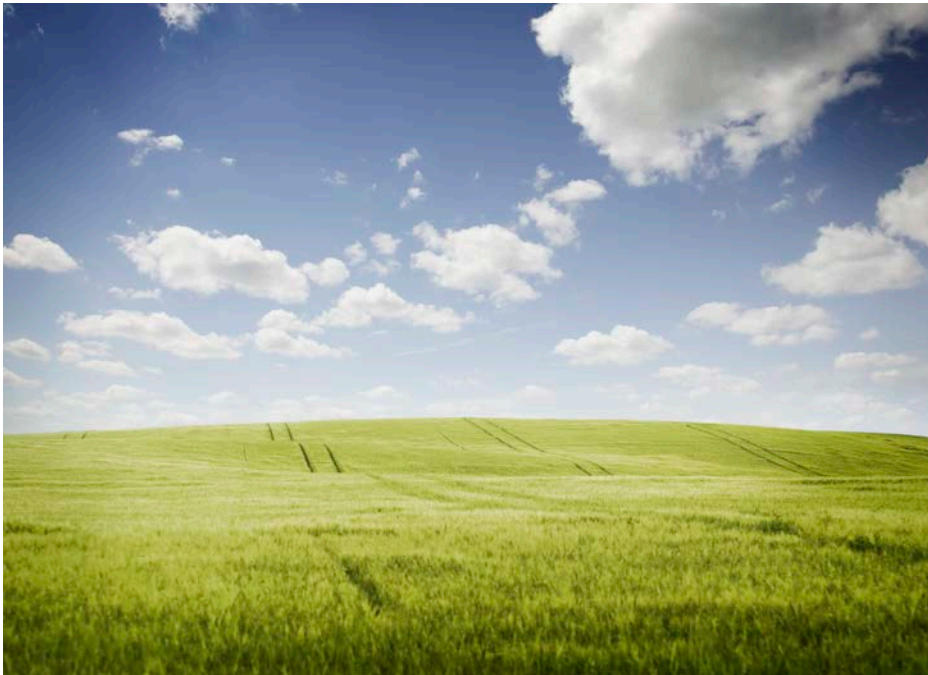


BDO NEWS

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ESG UPDATES Issue 1/2022



To achieve corporate sustainability and generate long-term benefits, the integration of environmental, social and governance (ESG) factors into one company's business strategies, management and operation are the key to success. In every issue of our 'ESG Updates', it will include the latest updates from various aspects in ESG.

HKEx publishes analysis of IPO applicants' ESG practice

On 5 November 2021, the Stock Exchange of Hong Kong Limited (HKEx) published a report titled 'Analysis of IPO Applicants' Corporate Governance and ESG Practice Disclosure in 2020/2021' highlighting the best practice of IPO applicants' on ESG matters, and giving its comments and recommendations. The report reviews the applicants' ESG management practice in ESG oversight, materiality assessment and risk management, and compliance.

Most IPO applicants made disclosures on environmental and social issues. However, on top of that, they are suggested to conduct a comprehensive analysis and assessment to identify material ESG risks, and consider making appropriate disclosure on climate-related issues and initiatives in reducing carbon emissions, so as to facilitate the transition to a low-carbon economy.

ESG and climate risk management starts before listing, and it is important for IPO applicants to plan ahead to implement the necessary measures to ensure future compliance. If you are interested to explore more, please do not hesitate to contact BDO Risk Advisory for further assistance.

Read more from the source:

https://www.hkex.com.hk/news/regulatory-announcements/2021/211105news?sc_la ng=en

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Implementing the Glasgow Climate Pact is already proving difficult

The deal for COP26 is yet to be confirmed by the European Parliament and Council, and it fails to set firm deadlines for the phasing out of fossil fuel subsidies, in line with the breakthrough text of the Glasgow Climate Pact.

Members of the European Parliament had been demanding for a phase-out of fossil fuel subsidy by 2025, with all environmentally-harmful subsidies ended by 2027. However, such recommendation had faced pushback from member states, and the plan only commits to setting a phase-out deadline consistent with limiting climate change to 1.5°C.

While the nationally determined contributions presented at COP26 might be disappointing, they did signal to investors the growing pace of the transition and the opportunities that arise. Countries already set up for green technology innovation are expected to thrive, while emerging markets may need financial innovation, in the form of blended finance, to develop the necessary infrastructure.

Read more from the source:

<https://www.esginvestor.net/icymi-now-europe-is-fazed-by-the-phase-out/>

HKMA published consultation paper on the draft Supervisory Policy Manual on climate risk management

The HKMA conducted a consultation on the draft Supervisory Policy Manual GS-1 on climate risk management with authorised institutions (AIs). The consultation paper highlights the proposed guidance to AIs on the key elements of climate-related risk management, as well as the HKMA's approach to and expectations in, reviewing AIs' climate-related risk management.

With reference to the relevant work of the Basel Committee on Banking Supervision, the Financial Stability Board and the Network for Greening the Financial System, as well as the industry practices in managing climate risks, HKMA has

developed this module to set out requirements in regard to governance, strategy, risk management and climate-related disclosures of AIs in building climate resilience.

Read more from the source:

https://www.hkma.gov.hk/media/eng/doc/key-functions/banking-stability/supervisory-policy-manual/GS-1_for_consultation_20Jul2021.pdf

SFC published consultation conclusions on proposed amendments to the Fund Manager Code of Conduct on climate risk management

The SFC published the Consultation Conclusions on the Management and Disclosure of Climate-related Risks by Fund Managers and will amend the Fund Manager Code of Conduct to require fund managers managing collective investment schemes to take climate-related risks into consideration in their investment and risk management processes and make appropriate disclosures. The requirements cover four key elements, namely governance, investment management, risk management and disclosure.

The consultation which took place from October 2020 to January 2021 had reached conclusion in the areas of threshold for defining large fund managers, governance, data availability, scenario analysis implementation, greenhouse gas emission disclosures and implementation timeline.

Read more from the source:

<https://apps.sfc.hk/edistributionWeb/api/consultation/conclusion?lang=EN&refNo=20CP5>

How can BDO help?

At BDO, our Risk Advisory Services (RAS) team, a group of dedicated professionals trained in ESG reporting requirements, GRI Standard and ISO-14064, have knowledge about carbon audit and experienced in providing all the assistance required to meet your needs in ESG practice. Please do not hesitate to contact us and talk to our consultants. We are pleased to provide further insight or assistance.

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