

# Feedback Statement

## Responses to the public consultation on the draft Hong Kong Code of Conduct for ESG Ratings and Data Products Providers

October 2024



This document provides an overview of the comments received during the public consultation on the draft Hong Kong Code of Conduct for Environmental, Social and Governance (“ESG”) Ratings and Data Products Providers. Furthermore, it provides an assessment of those comments and explains the amendments made to the relevant sections of the Code as a result of the public consultation.

## I. Introduction and overview of responses

On 17 May 2024, the Voluntary Code of Conduct Working Group (VCWG) launched a public consultation on the draft Hong Kong Code of Conduct for ESG Ratings and Data Products Providers. The public consultation ended on 17 June 2024. The VCWG has given due consideration to all the comments received during the consultation period.

This feedback statement presents summaries of the comments received during the public consultation together with the VCWG’s feedback in relation to those comments.

The consultation received 33 responses from a range of stakeholders, including trade associations, ESG data and rating providers, asset managers and rated entities. In the following section, the VCWG has grouped together comments concerning similar or identical issues.

The following criteria were applied regarding responses addressing the scope and Principles of the Code:

- Has the feedback received already been discussed extensively during VCWG meetings (and will therefore not be considered again)?
- Has there been extensive feedback on a particular issue that needs to be reflected?
- Is the feedback received related to an issue that has gained traction since the publication of the IOSCO recommendation in November 2021?



## II. Consultation feedback and VCWG responses

### 1. Responses to consultation questions

Issue	Comment	VCWG response	Amendment
<p><b>Consultation Q1:</b></p> <p><i>Do you agree with the conclusion of the VCWG that the Code comprehensively addresses the aspects pertinent to the Hong Kong market (for providers, users, covered entities)?</i></p>	<p>Overall, the responses to question 1 indicated broad agreement with the conclusion of the VCWG that the Code comprehensively addresses the aspects pertinent to the Hong Kong market. Respondents appreciated the alignment of the Code with the IOSCO recommendations and the code of conduct which was developed by the DRWG and supported by ICMA.</p>	No comment	No amendment
<p><b>Consultation Q2:</b></p> <p><i>Is the Code sufficiently clear to ensure adherence? For the Hong Kong Code, we are providing an English and Chinese version. Do you find that helpful and is the Code sufficiently clear to you? If not, please specify.</i></p>	<p>All respondents agreed that the Code is sufficiently clear to ensure adherence and found it useful to have a version in English and in Chinese.</p>	No comment	No amendment
<p><b>Consultation Q3:</b></p> <p><i>For the Hong Kong Code, we have added a self-attestation document. Do you find that useful (especially if you are a user of ESG ratings and/or data products)? If not, please specify.</i></p>	<p>All users found the attestation document useful for promoting transparency, trust, and adherence to the Code's Principles. It was noted that the self-attestation document helps differentiate ESG rating providers and facilitates due diligence while encouraging accountability among providers.</p> <p>However, providers had mixed feedback; notably, 50% of international providers were in favour of retaining the self-attestation document. Some suggested making the document optional to reduce administrative work and align with international practices, arguing that a separate attestation might be redundant given the Code's alignment with other international codes.</p>	<p>The VCWG Terms of Reference envisages that the Code will be complemented by a self-attestation document in order to foster greater transparency among ESG service providers and facilitate the due diligence process of their clients.</p> <p>It was agreed that the self-attestation document will be retained, being the approach favoured by the majority of respondents.</p>	No amendment

## 2. General comments on the draft Code of Conduct

Issue	Comment	VCWG response	Amendment
<p><b>Negative scope</b></p>	<p>Respondents proposed to exclude entities that provide ESG ratings and data for internal use only or those not offering these services on a commercial basis (e.g. asset managers). In addition, it was suggested to exclude raw or minimally-processed ESG data from scope of the Code.</p>	<p>The VCWG confirms that similar points were discussed during the prior meetings. Due to the voluntary nature of the Code, asset managers can sign up to the Code if they wish to do so. Furthermore, it was clarified in the Code that “the Code is not intended to overlay upon existing regulated activities for which formal rules and guidance already exist.”</p>	<p>No amendment</p>
<p><b>Geographical scope</b></p>	<p>A respondent asked whether the Code applies to providers regardless of whether they are physically located inside or outside Hong Kong. If yes, it was suggested revising the wording to “for ESG ratings and data products providers which provide such products and services in or outside Hong Kong”.</p>	<p>Although the primary objective of the VCWG is to develop a voluntary code of conduct for ESG ratings and data products providers which provide such products and services in Hong Kong, the Code is voluntary and as such, it can be applied by any entity that considers the Code relevant to its business or operations.</p> <p>Also please note the alignment with the IOSCO recommendations and the code of conduct which was developed by the DRWG and supported by ICMA, as referenced for consultation question 1 above.</p>	<p>No amendment</p>
<p><b>Integration with AI</b></p>	<p>Several suggested to include the use of AI into the Code.</p>	<p>The draft Code mentions that providers could consider providing ESG ratings and data products to clients in a machine-readable format. Where an ESG rating and data product involves the use of AI, the provider should provide disclosure as part of Principle 4 on Transparency.</p>	<p>No amendment</p>
<p><b>FAQ document</b></p>	<p>Some respondents suggested to add an FAQ document to provide further guidance on the Code.</p>	<p>The VCWG considered adding an FAQ document but decided that additional guidance could be seen as more prescriptive and therefore affect the interoperability of the Code.</p>	<p>No action to be taken</p>