



**SECURITIES AND  
FUTURES COMMISSION**  
證券及期貨事務監察委員會

# **ESG funds**

**19 July 2021**

**Investment Products**

# Agenda

- **Background**
- **Overview of new circular requirements**
  - **ESG funds**
  - **Disclosure requirements**
  - **Others**
- **Application on UCITS funds**
- **Effective date and implementation**

# Background

## Circular issued in April 2019 (“2019 Circular”)

- The quality of disclosure among ESG funds varies widely
- As an initial step to enhance disclosure comparability of ESG funds

## Developments in the past two years

- Awareness of ESG investing has grown significantly
- ESG-related investment products continue to gain traction globally
- Emerging local and international market and regulatory developments

## New circular issued in June 2021

- A new circular to provide further guidance on enhanced disclosure of ESG funds and with additional guidance for funds with climate-related focus

# Overview of new circular requirements



## SFC Circular on ESG funds

- Scope of ESG funds
- Naming requirements

- Offering documents
- Additional information (*new*)
- Periodic assessment and reporting (*new*)

- Ongoing monitoring
- Dedicate ESG funds webpage

# ESG funds

## Scope of ESG funds

- SFC-authorized funds which incorporate ESG factors as their key investment focus and reflect such in the investment objective and/or strategy

## Naming requirements

- Reference to ESG or similar terms in the fund's name and marketing materials should accurately and proportionately reflect the ESG features against other features of the fund and should not overstate or over-emphasize the ESG features
- Generally not expect a fund other than an ESG fund to name or market itself as an ESG fund

# Disclosure requirements

## Offering documents

### ESG focus

The fund's ESG focus and ESG criteria used to measure the attainment of the ESG focus

### Investment strategy

The ESG investment strategy(ies), process of consideration of ESG criteria, any exclusion policy is adopted, etc.

### Asset allocation

The expected or minimum proportion of investments that are commensurate with the ESG focus

### Reference benchmark

Information about the reference benchmark (if any) for the purpose of attaining the ESG focus

### Risk

Risks or limitations associated with the fund's ESG focus and the associated investment strategies

**Generally in line with the 2019 Circular**

# Disclosure requirements (cont'd)

## Additional information (*new*)

---

Disclosed on the fund manager's website or by other means

How the ESG focus is measured and monitored and the related internal or external control mechanisms

---

Methodologies adopted to measure the ESG focus

---

Due diligence carried out in respect of the ESG-related attributes of the fund's underlying assets

---

Description of the engagement policies (if any)

---

Description of the sources and processing of ESG data or a description of any assumptions made where relevant data is not available

---

# Disclosure requirements (cont'd)

## Periodic assessment and reporting (*new*)

- Conduct periodic assessment, at least annually, to assess how the fund has attained its ESG focus
- Description of the basis of the periodic assessment performed, including any estimations and limitations
- Comparison between the current and at least the previous assessment period (if any)



# Others

## Ongoing monitoring

- Regularly monitor and evaluate the underlying investments to ensure the ESG funds continue to meet the stated ESG focus and relevant requirements

## Dedicated ESG funds webpage

- All SFC-authorized ESG funds complying with the requirements are posted on the dedicated webpage
- Will add key features of each ESG fund on the dedicated webpage to enhance transparency of these funds

### Key investment theme

- Climate change
- Environment
- ESG / sustainability
- Sustainable energy
- Etc.

### Key investment strategy

- Best-in-class / positive screening
- Impact investing
- Thematic
- Etc.

# Application on UCITS funds

## Whether SFDR Article 8 and 9 funds are ESG funds in Hong Kong?

- Depends on whether the UCITS fund incorporates ESG factors as a key investment focus
- Irrespective of the UCITS fund's classification (whether Article 8 or Article 9) under the European regulation on sustainability-related disclosures in the financial services sectors ("SFDR")

## Disclosure requirements in the new circular

- UCITS funds which meet the disclosure and reporting requirements for Article 8 or Article 9 funds under the SFDR will be deemed to have generally complied in substance with the disclosure requirements
- The SFC may request enhanced disclosure and impose or vary the requirements in respect of these funds as it may deem fit at any time

**Such application is subject to review from time to time**

# Effective date and implementation

## Effective date

- 1 January 2022 (except for the requirements on periodic assessment and reporting which shall apply for any assessment period beginning on or after 1 January 2022)

## Existing ESG funds

- Make any necessary updates and revisions by the effective date

## New ESG funds

- May continue to adopt the requirements in the 2019 Circular and make necessary updates and revisions by the effective date

A large, stylized teal graphic of a bird in flight, positioned on the left side of the page. The bird's wings are spread wide, and its tail feathers are visible. The graphic is semi-transparent, allowing the white background to show through.

**Thank you.**

**[www.sfc.hk](http://www.sfc.hk)**