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

ESG funds	• Scope of ESG funds • Naming requirements
Disclosure requirements	• Offering documents • Additional information *(new)* • Periodic assessment and reporting *(new)*
Others	• 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 (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

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

Thank you.

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