

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

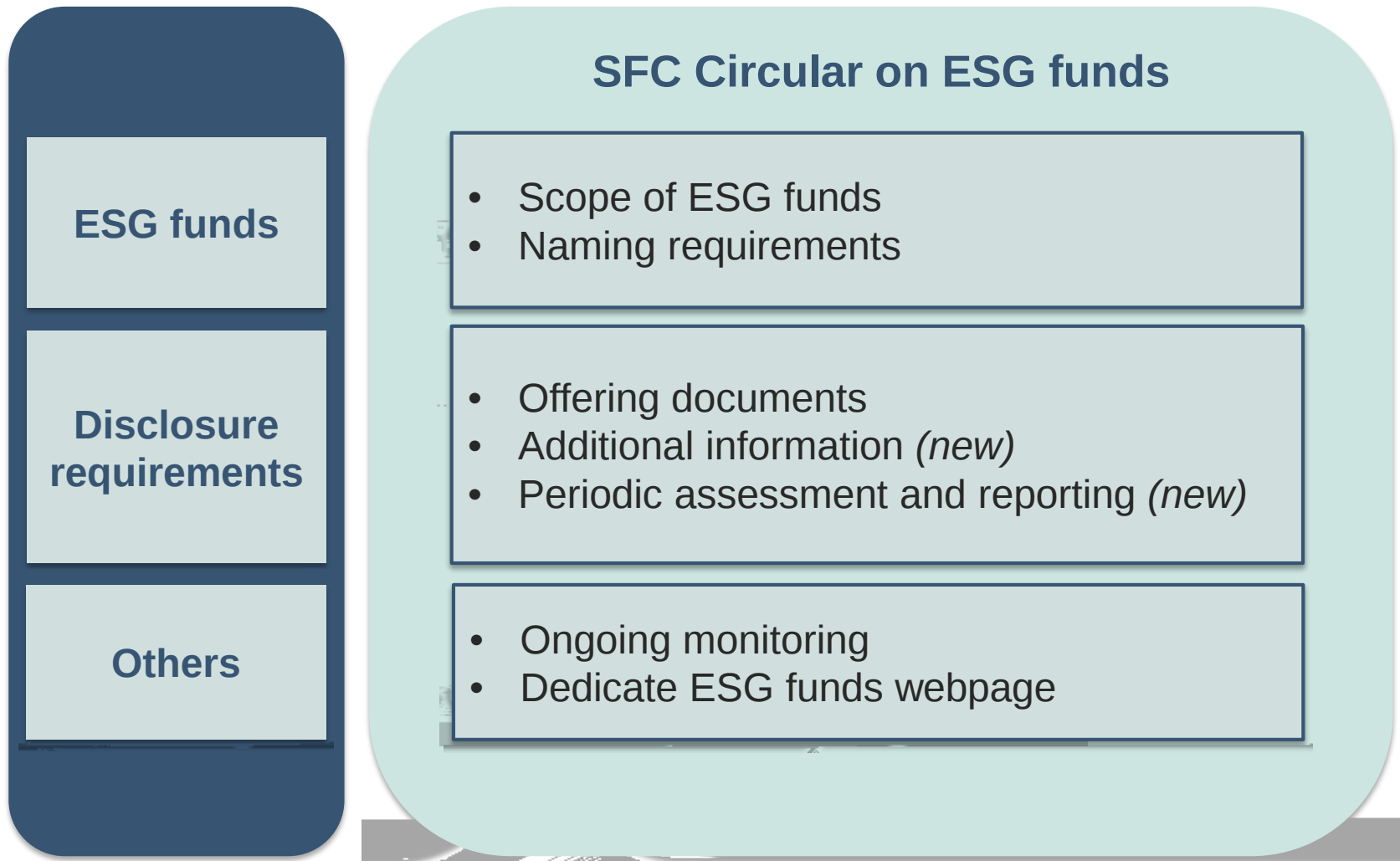
Developments in the past two years

- 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



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

A large, stylized teal bird graphic, possibly a phoenix, is positioned on the left side of the slide. The bird is depicted in profile, facing right, with its wings spread wide. The design is composed of several overlapping, curved shapes that create a sense of movement and form. The color is a solid teal or light blue-green.

Thank you.

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