



強制性公積金計劃管理局
MANDATORY PROVIDENT FUND SCHEMES AUTHORITY

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By Email

24 February 2025

Circular Letter: SU/CTR/2025/001

To: All Approved MPF Trustees

Dear Sir/Madam,

Enhancing Disclosure Requirements for ESG Constituent Funds

In November 2022, the Mandatory Provident Fund Schemes Authority (MPFA) issued the circular letter “Approval criteria for constituent funds within an MPF scheme” which set out the refined approval criteria for constituent funds (CFs). The circular letter stated, inter alia, that specialty funds such as ESG funds (i.e. funds which incorporate environmental, social and governance (ESG) factors¹ as their key investment foci and reflect such in their investment objectives and/ or strategies with expected outcomes suitable for addressing MPF scheme members’ retirement needs) may be considered for approval. In the light of the growing trend for MPF trustees to consider offering ESG CFs to MPF scheme members and with a view to enhancing their awareness of ESG CFs offered under different MPF schemes, the MPFA has put the list of approved ESG CFs on its dedicated webpage² on ESG CFs since December 2023.

¹ ESG factors broadly refer to such factors as climate change or green or ESG/sustainability factors that may include those that are aligned with one or more of the ESG criteria or principles recognized globally or nationally (such as the United Nations Global Compact Principles, United Nations Sustainable Development Goals, Common Principles for Climate Mitigation Finance Tracking, Green Bond Principles of the International Capital Market Association, Climate Bonds Taxonomy of the Climate Bonds Initiative or any other ESG or sustainability criteria, principles or taxonomies).

² <https://www.mpfa.org.hk/en/mpf-investment/sustainable-investing/list-of-mpf-esg-constituent-funds>

2. To further enhance MPF scheme members' understanding of the ESG CFs available under the MPF schemes they participate in, this circular letter (Circular Letter) provides guidance to MPF trustees on how the disclosure requirements under the Code on Disclosure for MPF Investment Funds (Disclosure Code) apply to ESG CFs available under MPF schemes. If the ESG CF is a fund of funds and its investment objective and/ or strategy reflect those of its underlying funds, the underlying funds (including approved pooled investment funds (APIFs)) are expected to provide at least the same level of information in their offering documents such that relevant information will be made available for disclosure by MPF trustees of relevant ESG CF. The disclosure requirements are as set out in the ensuing paragraphs.

Disclosure in MPF Scheme Brochures and Annual Governance Reports of MPF Schemes

3. Principle 1 of the Disclosure Principles in Part B of the Disclosure Code stipulates that MPF trustees should facilitate MPF scheme members to make informed decisions in choosing CFs by providing a range of relevant information such as the attributes and features of relevant CFs.

MPF scheme brochures

4. MPF scheme brochures should contain information necessary and effective for MPF scheme members to make an informed decision of their investment in CFs. MPF trustees should disclose in the MPF scheme brochures, inter alia, salient and specific characteristics and features of ESG CFs including but not limited to the ESG foci, ESG investment objectives and/or strategies, relevant risks associated with the ESG foci, and mechanisms to monitor and measure attainment of the ESG foci of the ESG CFs.

Annual governance reports

5. MPF trustees should continuously monitor and regularly evaluate the underlying investments of the ESG CFs to ensure that they continue to attain the disclosed ESG foci. Among others, MPF trustees should conduct periodic assessments, at least annually, to review how the ESG CFs have attained their ESG foci as set out in the MPF scheme brochures on an ongoing basis, and disclose the results of their periodic assessments in the annual governance reports of relevant MPF schemes.

6. Apart from providing sufficient and comprehensible information to enable MPF scheme members to monitor whether their expectations are met, MPF trustees are also encouraged to disclose relevant education/ reference materials to MPF scheme members to facilitate their understanding of the ESG characteristics of the CFs and the associated risks. In addition to MPF scheme brochures and annual governance reports, MPF trustees may also

capitalize upon other appropriate channels to make the required disclosure. The detailed disclosure requirements are set out in [Annex 1](#).

Implementation Schedule

7. This Circular Letter takes immediate effect. MPF trustees are required to observe the enhanced disclosure requirements in this Circular Letter as set out in the ensuing paragraphs.

Existing ESG CFs

8. In respect of existing ESG CFs, MPF trustees should review the current disclosures in MPF scheme brochures in view of the requirements in this Circular Letter, and make necessary updates and revisions as soon as practicable, and in any event no later than 30 September 2025. MPF trustees should observe the enhanced disclosure requirements set out in paragraphs 5 and 6 above and make the required disclosure in the preparation and compilation of the governance reports of MPF schemes for financial years ending on or after 30 November 2024 and thereafter.

New ESG CFs

9. As regards applications of new ESG CFs, MPF trustees should provide the MPFA with at least one of the following confirmations to confirm incorporation of ESG factors as the key investment foci and ongoing monitoring of attainment of ESG foci (please refer to [Annex 2](#) for details):

- (i) self-confirmation of compliance; or
- (ii) confirmation supported by an independent third party certification or fund label³ to demonstrate compliance.

10. When considering and approving new ESG CFs, MPFA will take into account information provided by MPF trustees in relation to the Disclosure Code, this Circular Letter and any other requisitions which may be imposed by the MPFA from time to time. Information relating to new ESG CFs (as per [Annex 2](#)) will be posted on the MPFA's dedicated webpage on ESG CFs and the MPF Fund Platform, etc.

11. Given the evolving nature of ESG investment landscape, the MPFA keeps in view local and international market and regulatory developments and may provide further guidance or impose additional requirements for ESG CFs, where appropriate.

³ The MPFA expects the independent third party or fund labelling agency to review, at a minimum and as part of the certification or labelling process: (i) the ESG CF's primary investments reflecting the particular ESG focus, (ii) investment selection process, and (iii) ongoing monitoring process.

12. If you have any questions on the above, please contact Ms Susanna Lai, Senior Manager (Supervision), on 2292 1354.

Yours faithfully,

A handwritten signature in black ink, appearing to be 'Joseph Lee', written in a cursive style.

Joseph Lee
Director
Supervision Division

Encl.

Enhanced Disclosure Requirements for ESG CFs

A. Name of ESG CF

1. The name of an ESG CF should not be misleading. The primary investments and/ or strategy of an ESG CF should reflect the particular ESG focus which the fund's name represents.
2. The references to ESG or similar/ relevant terms in the fund's name and reference/ marketing materials should accurately and proportionately reflect the ESG features vis-à-vis other features of the ESG CF, and should not overstate, exaggerate or over-emphasize the ESG features.
3. A CF other than an ESG CF should not name, present or market itself as an ESG CF.

B. Disclosure in MPF Scheme Brochures

4. An ESG CF should disclose in the MPF scheme brochure:
 - (a) *ESG focus of the CF*
 - (i) a description of the CF's ESG focus (e.g. climate change, green, low carbon footprint, and sustainability, etc.); and
 - (ii) a list of ESG assessment criteria (e.g. filters, indicators, ratings, third party certificates and/ or labels, etc.) used to measure the attainment of the CF's ESG focus.
 - (b) *ESG investment strategy*
 - (i) a description of the investment strategy(ies) adopted by the ESG CF, the binding elements and significance of the strategy(ies) in the investment process, and how the strategy(ies) is(are) implemented in the investment process on a continuous basis;
 - (ii) a summary of the process of consideration of ESG criteria (as described under paragraph 4(a)(ii) above), which may include the methodologies used in measuring the fulfillment of these ESG criteria, their sequencing relative to the investment strategies, and examples of the most important ESG criteria considered (if any); and
 - (iii) a description of whether an exclusion policy is adopted by the ESG CF, if any, and the type(s) of exclusion.

(c) *Asset allocation*

- (i) the expected or minimum proportion of securities or other investments (e.g. in terms of net asset value of the ESG CF) that are commensurate with the CF's ESG focus.

(d) *Reference benchmark*

- (i) where an index is designated as a reference benchmark for the purpose of the attainment of the ESG focus of an ESG CF:
 - ✧ where the ESG CF tracks an ESG benchmark (e.g. an index fund), details of the benchmark being tracked including the characteristics and general composition of the benchmark; or
 - ✧ where the CF seeks to measure its ESG focus against a designated reference benchmark, an explanation of how the designated reference benchmark is relevant to the ESG focus of the ESG CF;
- (ii) where the ESG CF has a designated climate benchmark specifically, the disclosure should include:
 - ✧ an explanation of how the reference benchmark is continuously aligned with or relates to the ESG CF's climate-related focus; and
 - ✧ an explanation as to why and how the designated index differs from a broad market index, where appropriate.

(e) *Other information reference*

- (i) an indication of where MPF scheme members can find additional information about an ESG CF in relation to the underlying fund(s) and/ or reference benchmark as required under Part (C) on Disclosure of Additional Information below.

(f) *Risks*

- (i) a description of risks or limitations associated with the CF's ESG focus and the associated investment strategies (e.g. limitation of methodologies and data, lack of standardized taxonomy, subjective judgment in investment selection, reliance on third party sources, concentration in investments with the particular ESG focus, etc.).

C. Disclosure of Additional Information

- 5. The following information of the ESG CF should be disclosed in the MPF scheme brochure or be provided on the MPF trustee/ investment manager/ index provider's websites or by other means to complement the disclosures stipulated at Part (B) above in

the MPF scheme brochure. In particular, the information or ways to access the relevant information (e.g. hyperlinks to websites of investment managers) relating to the underlying fund(s), the investment manager of the ESG CF or the underlying fund(s), or the index provider (where the ESG CF or its underlying fund(s) tracks an ESG benchmark), should be provided as appropriate.

- (a) description of how the ESG focus is measured and monitored throughout the lifecycle of the ESG CF and the underlying fund(s) and the related internal or external control mechanisms;
 - (b) description of the methodologies adopted to measure the ESG focus referred to in paragraph 4(a) above and the attainment of the ESG focus by the ESG CF and its underlying fund(s);
 - (c) description of due diligence carried out in respect of the ESG-related attributes of the ESG CF's underlying assets;
 - (d) description of the engagement (including proxy voting) policies (if any); and
 - (e) description of the sources and processing of ESG data or a description of any assumptions made where relevant data is not available.
6. For paragraphs 5(b) and 5(e) above, an ESG CF with climate-related focus should disclose clearly the methodologies of measuring the climate-related indicator(s)⁴ (including, where appropriate, the metrics used and their calculation basis or formulae, the relevant data sources, any assumptions or estimations made and their limitations, etc.).
7. The additional information should be reviewed and updated from time to time to ensure accuracy.

D. Periodic Assessment and Disclosure

8. MPF trustee should conduct periodic assessments, at least annually, to review how the ESG CF attains its ESG focus.
9. MPF trustee should disclose to MPF scheme members in the annual governance reports of the scheme the following information about its periodic assessments:
- (a) description of how the CF has attained its ESG focus during the assessment period, including, where appropriate:

⁴ Examples of climate-related indicators may include carbon footprint, weighted average carbon intensity, greenhouse gas emission, revenue or profit generated from or capital or operating expenditure commitment in activities considered as having favourable contribution to climate change mitigation or adaptation, etc.

- (i) the actual proportion of investments that is commensurate with the CF's ESG focus;
 - (ii) the actual proportion of the investment universe selected or eliminated as a result of the CF's ESG-related screening;
 - (iii) a comparison of the performance of the CF's ESG factors vis-à-vis the designated reference benchmark (if any);
 - (iv) actions taken in respect of the CF or its underlying fund(s) in attaining the CF's ESG focus (e.g. shareholder engagement activities, proxy voting records of the ESG CF or its underlying funds with respect to its investee companies, etc.); and
 - (v) any other information, considered necessary or appropriate by the MPF trustee of the ESG CF.
- (b) description of the basis of the assessment performed referred to in paragraph 9(a) above, including any estimations and limitations;
- (c) comparison between assessment of the ESG CF in the current period and at least that in the immediate preceding period if available; and
- (d) an ESG CF with a climate-related focus could demonstrate the attainment of its climate-related focus by comparing the CF's climate-related indicator(s) vis-à-vis those of the previous assessment period(s) and/ or the reference benchmark and/or the relevant investment universe, etc.
10. MPF trustee is advised to provide hyperlink(s) to relevant reference/ educational materials with a view to assisting scheme members' understanding of the ESG characteristics and the associated risks, etc. of the relevant ESG CF. For example, where MPF trustee refers to sustainability levels or scores of ESG CFs (regardless of whether such levels or scores are based on in-house or self-built models of investment managers of the ESG CFs or provided by external service providers), MPF trustee should provide information to MPF scheme members in an easily comprehensible manner including but not limited to how such levels or scores are derived (e.g. methodology, assessment criteria, data source, etc.).

Confirmation by MPF trustee of ESG Constituent Fund

Caution: Section 43E of the Mandatory Provident Fund Schemes Ordinance makes it an offence punishable with a maximum of 12 months of imprisonment for the first occasion and two years of imprisonment on each subsequent occasion for a person who makes a false or misleading statement in a material aspect.

Name of MPF scheme:

Name of the constituent fund:

(a) ***Incorporation of and alignment with ESG focus*** (please tick only one of the following boxes)

We, without submitting independent third party certification or fund label for the constituent fund, confirm the following:

- (i) the constituent fund has incorporated ESG factors as its key investment focus; and
- (ii) MPF trustee of the constituent fund continuously monitors and regularly evaluates the underlying investments with proper procedures in place to ensure on an ongoing basis that the constituent fund aligns with the stated ESG focus and complies with all the requirements stipulated in the Circular Letter entitled “Enhancing Disclosure Requirements for ESG Constituent Funds” dated 24 February 2025.

We, submitting an independent third party certification or fund label⁵, confirm that the issuer of the certification or fund label is independent of the MPF trustee and its associated entities.

(b) ***Compliance with relevant disclosure requirements*** (please tick the following boxes, where applicable)

We confirm the underlying approved pooled investment fund(s) or approved index-tracking collective investment scheme(s) held/to be held by the constituent fund is/are classified as ESG fund(s) in compliance with the requirements as set out by the Securities and Futures Commission (SFC) in its circular to management companies of

⁵ The MPFA expects the independent third party or fund labelling agency to review, at a minimum and as part of the certification or labelling process, (i) the ESG constituent fund’s primary investments reflecting the particular ESG focus, (ii) investment selection process and (iii) ongoing monitoring process. Documentary evidence of the relevant certification or fund label obtained by MPF trustees in respect of the relevant constituent funds should be submitted together with this confirmation.

SFC-authorized unit trusts and mutual funds – ESG funds dated 29 June 2021 and all requirements set out therein or related thereto, as amended from time to time.

- We confirm the underlying approved index-tracking collective investment scheme(s) held/ to be held by the constituent fund is/ are classified as financial product(s) falling under [(*please delete as appropriate*) Article 8 / Article 9] of the Sustainable Finance Disclosure Regulation (SFDR)⁶ and all requirements set out therein, as amended from time to time, have been and will be complied with in respect of the scheme(s).
- (c) We acknowledge that the key investment theme and investment strategy of the constituent fund to be posted by the MPFA on the list of ESG constituent funds on the MPFA’s dedicated webpage on ESG constituent funds and the MPF Fund Platform, etc. are based on the confirmation and representations we provide hereunder:
- (i) The key investment theme of [*name of constituent fund*] under [*name of MPF scheme*] is:
(Please select one of the following which is the most representative of the constituent fund’s ESG investment theme)
- Climate change;
 - Environment;
 - ESG/ sustainability;
 - Food security;
 - Forestry;
 - Nutrition;
 - Social;
 - Sustainable energy;
 - Sustainable transportation;
 - Water;
 - Other (please specify): _____
- (ii) The key investment strategy of [*name of constituent fund*] under [*name of MPF scheme*] is:
(Please select one of the following for the constituent fund which is the most representative of the constituent fund’s ESG investment strategy)
- Best-in-class / positive screening⁷;
 - Impact investing⁸;
 - Thematic⁹;
 - Other (please specify): _____

⁶ Regulation (EU) 2019/2088 of the European Parliament and of the Council of 27 November 2019 on sustainability-related disclosures in the financial services sector.

⁷ Investment in companies or sectors that have better ESG performance than peers.

⁸ Investment in companies or financing for business with a purpose of generating measurable positive ESG impact.

⁹ Investment in companies that engage in specific ESG or sustainability themes or economic activities.

Signed for and on behalf of:

Name of MPF trustee:

Signature: Title/Position

(to be signed by two directors)