



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

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**By Email**

3 August 2022

**Circular Letter: PR/CTR/2022/002**

**To All Approved Trustees of MPF Schemes**

Dear Sir/Madam,

**Initiative to Enhance Transparency of Governance Reporting of MPF Schemes**

The Authority has been making continuous efforts to promulgate the importance of a sound governance framework for the management of MPF schemes. To promote greater transparency of MPF scheme governance, MPF trustees are expected to provide a regular governance report to MPF scheme members disclosing how MPF trustees have strived to bring better value for their MPF scheme members.

**Template of Governance Report of an MPF Scheme**

In November 2021, the Authority formed a working group with MPF trustees (**Industry Working Group**) to deliberate on how MPF trustees should enhance reporting of different governance matters to MPF scheme members. After gathering views from the Industry Working Group, the Authority has developed a template of Governance Report assisting MPF trustees to report their governance framework and arrangements of their MPF schemes. The template also integrates the reporting requirements in relation to the disclosure of an MPF scheme's sustainable investing strategy and implementation progress as set out in the circular letter issued by the Authority on 26 November 2021.

The template of the governance report of an MPF scheme is set out in the Annex which includes the following reporting areas:

- I. Description of MPF trustee's governance framework
- II. Description of MPF trustee's assessment and resulting actions/changes in relation to:
  - (i) Value for money assessment;
  - (ii) Sustainable investing strategy and implementation progress; and
  - (iii) Other governance matters assessed by MPF trustee.

Examples of key elements or considerations to be covered in trustee's assessment are included in the template for trustees' reference. MPF trustees should also observe other recommendations and practical examples provided by the Authority to MPF trustees from time to time in enhancing their governance standards and enriching content of their governance reports accordingly.

### **Guidance on Report Preparation**

In line with the good disclosure principles set out in the Code on Disclosure for MPF Investment Funds, MPF trustees are reminded to use plain language to ensure clarity and readability of the governance reports for MPF scheme members. MPF trustees' steps taken in accordance with the governance framework in support of the assessment results should be documented for providing audit trails to demonstrate a proper review process. The Authority does not consider it necessary for that documentation to be included as part of the report.

For the avoidance of doubt, MPF trustees have their discretion to decide on how their own governance framework is structured. They may also decide on the depth and breadth of details in their disclosure and include other necessary information not prescribed in the template where appropriate. The exact content will depend on MPF trustees' assessment of what would best suit the needs of their MPF scheme members.

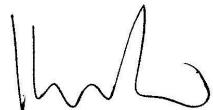
The report should be endorsed by an MPF trustee's board of directors.

## **Implementation Schedule**

MPF trustees are required to prepare an annual governance report for each MPF scheme under their trusteeship for all financial years ending on or after 30 November 2022 and submit the governance reports, together with the schemes' annual consolidated reports, to the Authority within six months after the financial year end date of the MPF schemes. To facilitate MPF scheme members to access the governance reports, the latest bilingual governance reports of all MPF schemes will be made available on the Authority's website. MPF trustees should also make available the bilingual governance reports on their websites or other channels which are easily accessible by MPF scheme members.

If there are any questions on the above, please contact Ms Susanna Lai on 2292 1354 or Mr Tom Kam on 2292 1316.

Yours faithfully,



Joseph Lee  
Director  
Product Regulation Division

Encl

## Annex

### **GOVERNANCE REPORT TEMPLATE FOR MPF SCHEMES**

The following template is developed to facilitate MPF trustees to report to MPF scheme members their governance framework and arrangements in relevant areas for the financial period concerned. As a starting point, it sets out areas in relation to investment governance and provides examples of key elements or considerations to be included in each of the reporting areas. It serves to enhance transparency of the governance arrangements of MPF schemes and thus facilitate scheme members to better understand how MPF trustees have strived to bring better value for their MPF scheme members. MPF trustees should also observe other recommendations and practical examples<sup>1</sup> provided to MPF trustees from time to time in enhancing their governance standards and enrich the content of their governance report accordingly.

MPF trustees should note that the key elements or considerations set out in the template are not intended to be exhaustive nor to be regarded as regulatory requirements. MPF trustees should develop their own governance structures, policies and procedures which are commensurate with the size, complexity and risk profiles of the MPF schemes under their trusteeship. For the avoidance of doubt, MPF trustees have discretion to decide on how their own governance framework is best structured and may decide on the depth and breadth of details in their disclosure. The exact content will depend on the assessment of what would best suit the needs of their MPF scheme members.

In line with the good disclosure principles set out in the Code on Disclosure for MPF Investment Funds, MPF trustees should use plain language to ensure clarity and readability of the reports. MPF trustees' steps taken in accordance with the governance framework in support of the assessment results should be documented for providing audit trails to demonstrate a proper review process. The Authority does not consider it necessary for that documentation to be included as part of the report.

The report should be endorsed by an MPF trustee's board of directors.

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<sup>1</sup> In November 2021, the Authority issued the "Principles for Adopting Sustainable Investing in the Investment and Risk Management Processes of MPF Funds" setting out how MPF trustees should adopt sustainable investing approach in the investment and risk management processes of MPF funds and make relevant disclosure to MPF scheme members.

[Name of MPF scheme] Governance Report For the year ended DD MM YYYY	
Table of Content	Page
Section 1: Trustee's governance framework	X
Section 2: Assessment areas:	
(i) Value for money assessment;	X
(ii) Sustainable investing strategy and implementation progress	X
(iii) Other assessment areas [where appropriate]	X
A statement confirming that the Scheme's Governance Report has been endorsed by the trustee's board of directors.	

### **Section 1: Trustee's Governance Framework**

- A description of the MPF trustee's governance framework put in place to demonstrate that the governance structure is defined, responsibilities are assigned, and a reporting mechanism is established.
- Key elements of the trustee's governance framework may include:
  - role of its board of directors;
  - objective and composition of investment governance body (e.g. investment committee); and
  - reporting mechanism.

## **Section 2: Assessment Areas**

### **(i) Value for Money Assessment**

- An explanation of the process and considerations of MPF trustee in assessing value for MPF scheme members.
- Key considerations in assessing value for MPF scheme members may include:
  - overall performance of constituent funds (e.g. comparison of expected return vs actual return);
  - level of fees and other charges;
  - quality of services provided to MPF scheme members;
  - range of MPF funds and suitability of MPF products as part of the retirement solutions offered to MPF scheme members;
  - investment manager selection, ongoing review and monitoring; and
  - conflict of interest monitoring.
- Resulting actions/changes to improve value for MPF scheme members.
- Review of effectiveness of the recommended actions made in the last assessment.

### **(ii) Sustainable Investing Strategy and Implementation Progress**

- A description of the environmental, social, and governance (ESG) integration strategy of the MPF scheme and the implementation progress according to the recommendations set out in the “Principles for Adopting Sustainable Investing in the Investment and Risk Management Processes of MPF Funds”.
- Key elements may include:
  - views of MPF trustee regarding the impact of ESG factors on the value of MPF investment portfolios;
  - ESG integration strategy for the scheme formulated by the MPF trustee;
  - description of how the MPF trustee puts the strategy into practice;
  - description of how the board of directors of the MPF trustee monitors the ESG integration progress;
  - description of how ESG factors are factored into relevant investment strategies/policies to demonstrate a clear intent of ESG integration by the investment managers;
  - description of how the identification, assessment and management of ESG risks are incorporated and established in the investment process of investment managers and backed by evidence and examples demonstrated to MPF trustee;

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| <ul style="list-style-type: none"><li>• description of the investment managers' policies on engagement activities; and</li><li>• description of how investment managers report their ESG integration.</li></ul> |
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<p><b><u>(iii) Other Assessment Areas [where appropriate]</u></b></p>
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<p><b><u>[A statement from trustee's board of directors (Board) confirming that the Scheme's Governance Report has been endorsed by the Board.]</u></b></p>
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