MPF Symposium

MANDATORY PROVIDENT FUND SCHEMES AUTHORITY

Sustainable Investing in MPF

Trends, Developments & Regulatory Landscape

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MPFA's Ongoing Drive on Promoting Sustainable Investing

2018

Encouraged consideration of ESG factors and investment in green bonds

2020

Conducted survey and formed working group

Developed capacity building programme for MPF trustees

2021

Issued "Principles for Adopting Sustainable Investing in the Investment and Risk Management Processes for MPF Funds"

2022

Set out disclosure requirements in schemes' annual governance reports

2023

Ensured sustainable investing strategies set for all MPF schemes

Arranged priority allocation for investment in Government green bonds

2024

Conducted technical feasibility study with HKICPA and MPF trustees on sustainability disclosure

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Driving for Sustainable Investing and Disclosure for MPF Funds

Principle Formulation

Cooperation with MPF trustees

Collaboration with other Regulators

Facilitation of Sustainable Investment

Principle Formulation

- Surveyed MPF trustees' practices in ESG integration
- Issued high level principles on ESG integration & disclosure
- Formulated disclosure requirements in MPF schemes' governance reports

Cooperation with MPF trustees

- Deliberated on integration of ESG factors in investment & risk management
- Rolled out capacity building programme for MPF trustees

Green & Sustainable Finance Cross-Agency Steering Group (CASG)

- Joined CASG in 2020 for policy alignment with other financial regulators in HK
- Developed CASG website, a cross-sector platform to coordinate the efforts of Government agencies, financial regulators, industry stakeholders and academia in capacity building development

Facilitation of Sustainable Investment

- Encouraged investment in green bonds
- Arranged priority allocation of HKSAR Government green bonds for MPF investment

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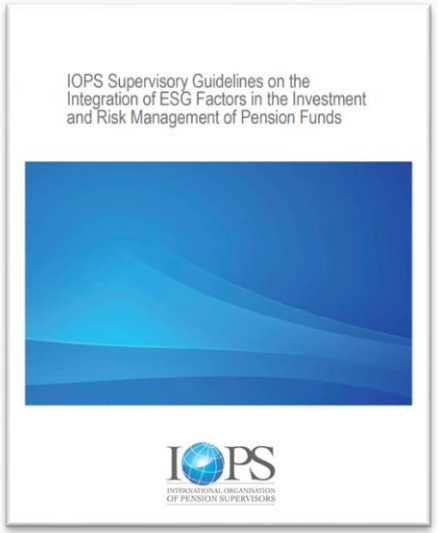
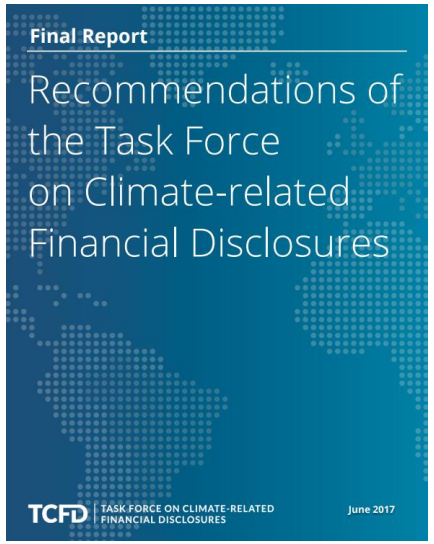
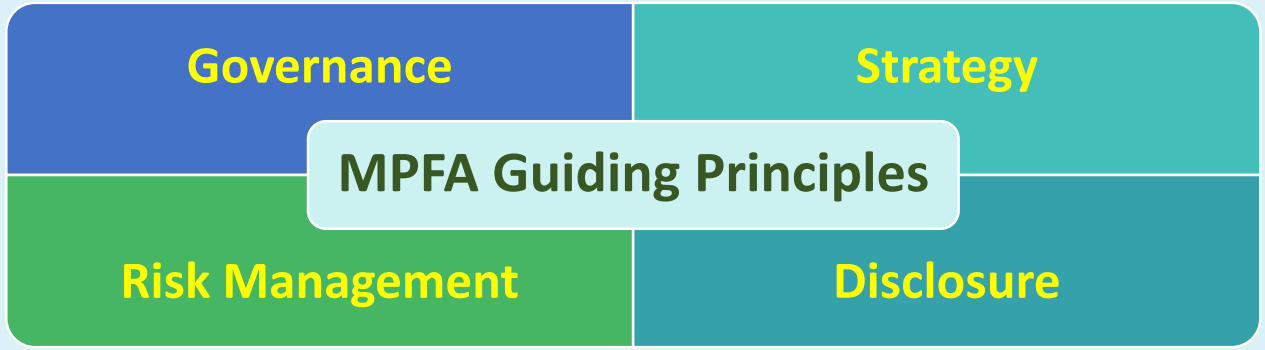
Development of Sustainable Investing Principles for MPF Funds





Principles for Adopting Sustainable Investing in the Investment and Risk Management Processes of MPF Funds



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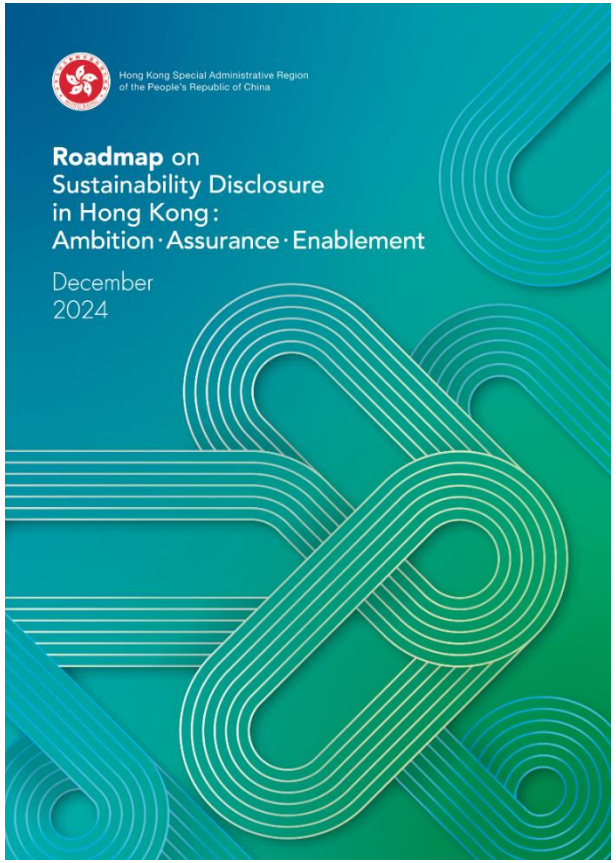
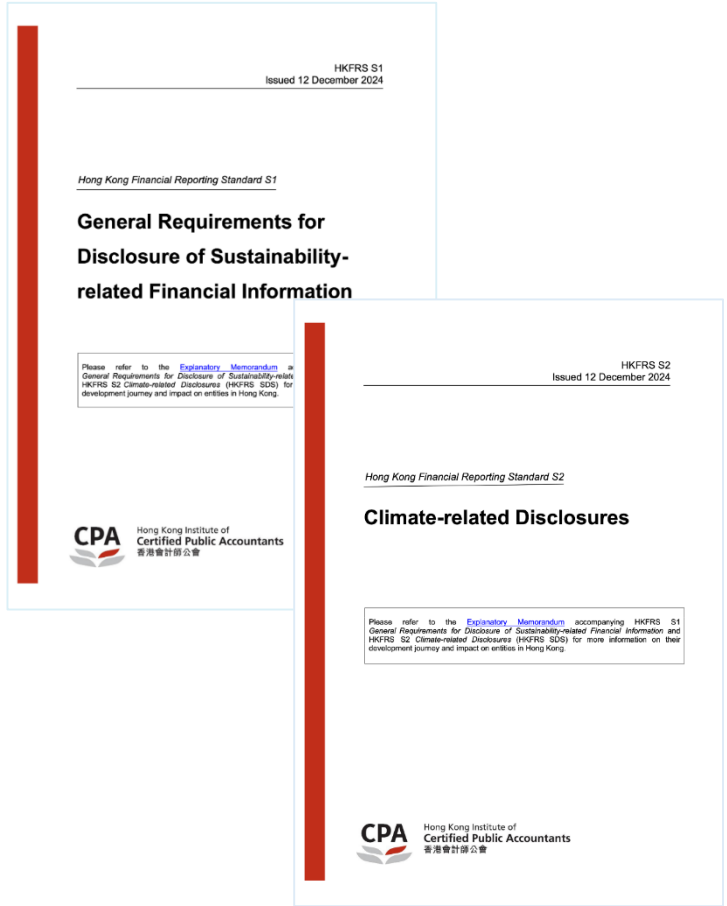
Collaboration with other Regulators: Development of Sustainability Disclosure

In supporting the disclosures of consistent and comparable climate and sustainability related information in accordance with **global standards** for facilitating the management of ESG risks

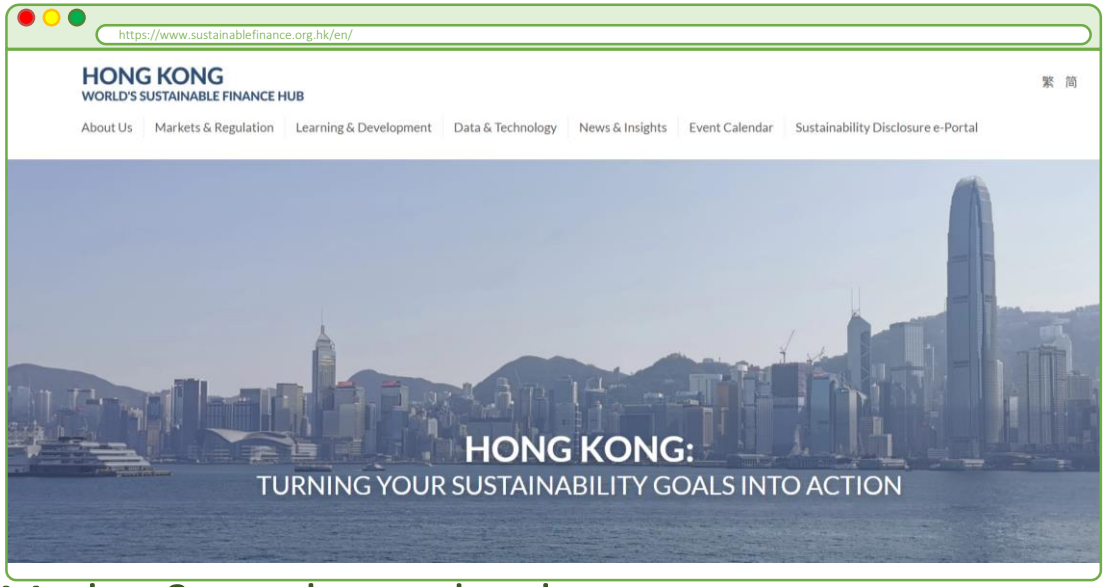
- Hong Kong issued its **Roadmap on Sustainability Disclosure** in Dec 2024





Collaboration with Other Regulators & MPFA's Webpage on Sustainable Investing

Green and Sustainable Finance Cross-Agency Steering Group's website



- Market & regulatory developments
- Learning & development opportunities
  (e.g. Pilot Green and Sustainable Finance Capacity Building Support Scheme, Green and sustainable finance knowledge hub, and internship opportunities)
- Data & technology (e.g. Government data, greenhouse gas emissions calculation and estimation tools, directory to FinTech firms)

MPFA's website

- Regulatory requirements on MPF funds
- List of ESG constituent funds

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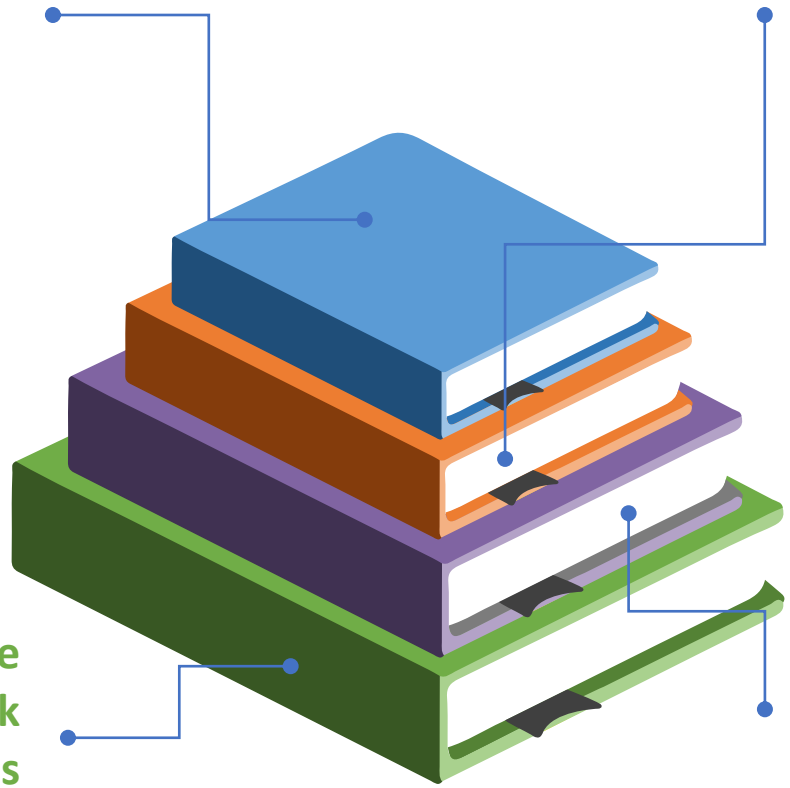
Collaboration with MPF trustees

Capacity Building for MPF Trustees

Members' education

Partner with MPF trustees to educate MPF scheme members on relevance of sustainable investing to them



Training for MPF trustees & MPF intermediaries

A series of sharing sessions on :-
ESG data disclosure and scoring models, ESG investment strategies, engagement and stewardship related activities reporting

Principles for Adopting Sustainable Investing in the Investment and Risk Management Processes of MPF Funds

High level guidance and a set of self-checking questions to guide building of ESG integration and disclosure framework

CASG initiatives / materials

Coordinated feasibility study meeting on sustainability reporting standard between MPF trustees and HKICPA

Shared latest market developments
(e.g. Voluntary Code of Conduct for ESG data providers)

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Facilitation of Sustainable Investment

50-fold
in 10 years

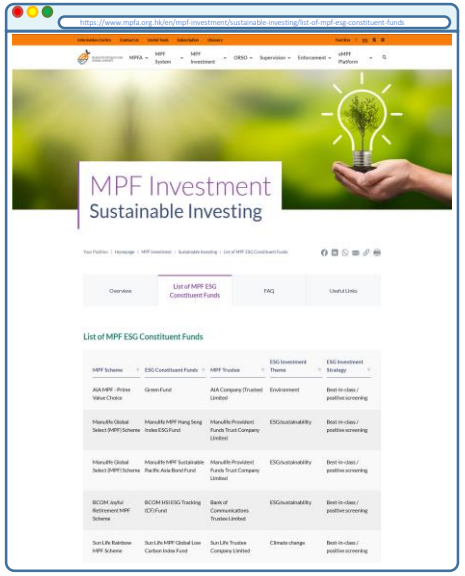
MPF Sustainable Investments

e.g. green bonds, social bonds, ESG themed index-tracking funds

50%
Investment in

HKSAR Government Green Bonds

since priority allocation to MPF funds in June 2023



4
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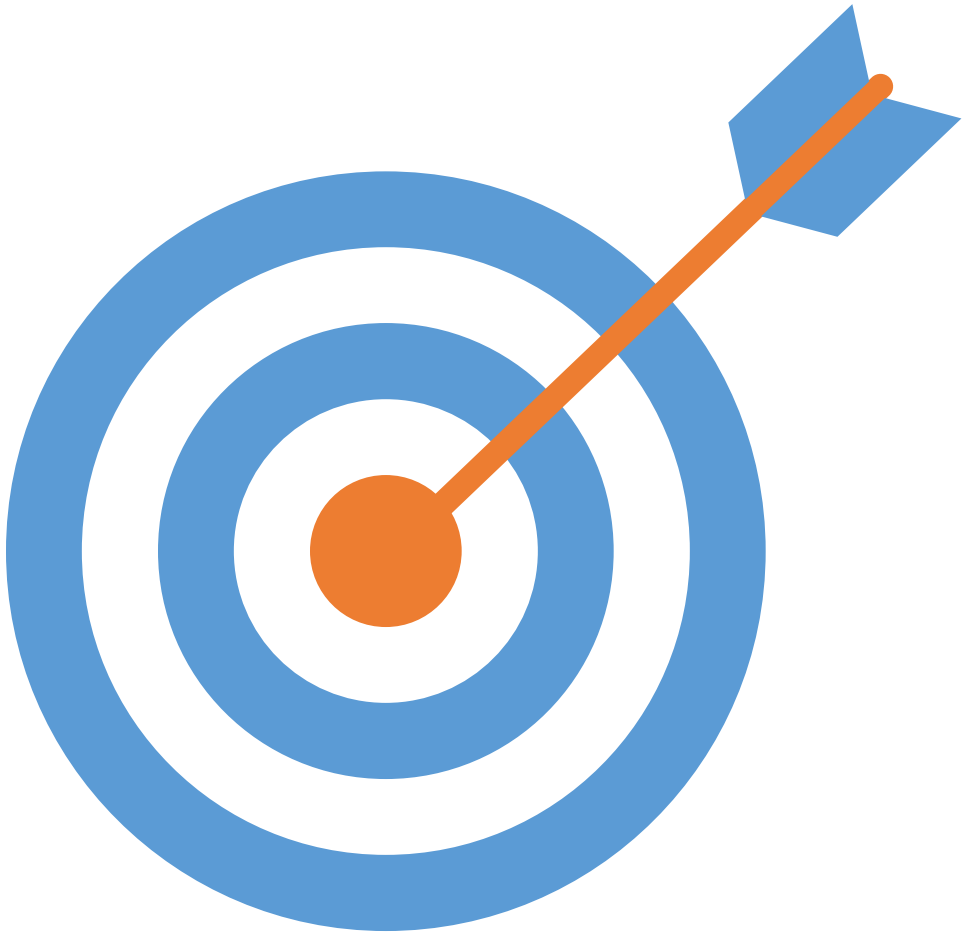
MPF Schemes

offer ESG-themed funds to MPF scheme members

Enhanced Disclosure Requirements for ESG Constituent Funds (CFs)



Objectives

- **Enhance disclosure standard of ESG CFs by providing guidance to MPF trustees on disclosure of ESG-related information of ESG CFs**
- **Facilitate MPF scheme members in understanding ESG features of ESG CFs**

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Disclosure Requirements for ESG CFs

Pre-approval stage:

Disclosure in MPF scheme brochures

- **Features of ESG CFs**
- **Mechanisms to monitor and measure attainment of ESG foci**

Post-approval stage:

Disclosure and reporting in scheme governance reports

- **Periodic assessment results on attainment of ESG foci**

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Disclosure in MPF Scheme Brochures

ESG features

Monitoring mechanism

Periodic assessment

Common ESG investment foci

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

5 Main Areas

1. Investment focus/ theme

(description & ESG criteria to measure the attainment)

2. Investment strategy

(description, binding elements, significance of it in investment process)

Common ESG investment strategies

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

3. Expected/minimum asset allocation

(commensurate with the ESG focus)

4. Risks associated with ESG focus

(e.g. limitations of methodologies and data)

5.Reference ESG benchmarks

(if any)

(characteristics and general composition)

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Disclosure in MPF Scheme Brochures

ESG features

Monitoring mechanism

Periodic assessment

- A description of **how the ESG focus is measured and monitored throughout the lifecycle** of the ESG CF and the related internal or external control mechanisms
- A description of the **methodologies adopted** to measure the ESG focus
- A description of **due diligence carried out** in respect of the ESG-related attributes of the ESG CF's underlying assets
- A description of the **engagement policies (including proxy voting)** (if any)
- A description of the **sources and processing of ESG data** or a description of any **assumptions made** where relevant data is not available

Disclosure in Annual Governance Reports

ESG features

Monitoring mechanism

Periodic assessment

How the ESG Focus is attained?

- Actual proportion of underlying investments that are **commensurate with the ESG CF's focus**
- Actual proportion of the investment universe that was **selected or eliminated as a result of the ESG-related screening**
- A comparison of the **performance of the ESG factors** of the ESG CF against the designated reference benchmark, if any
- **Actions taken** by the ESG CF (or underlying funds) in attaining the ESG focus (e.g. shareholder engagement activities)
- Actions taken to facilitate **scheme members' understanding** of ESG features/ foci of ESG CF

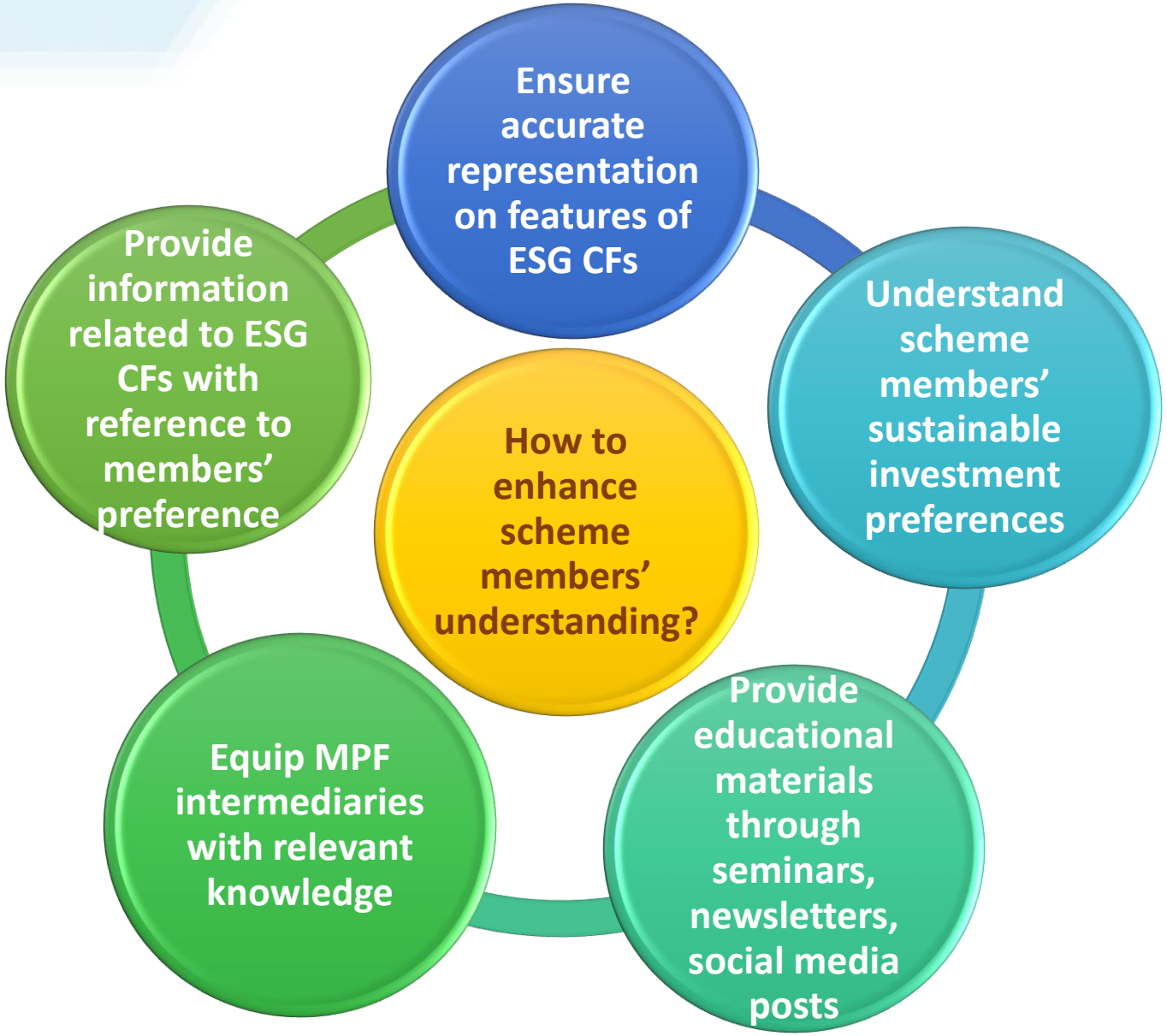
See next

Basis of the assessment performed

- Estimations and limitations

A comparison between the current and the previous assessment period

Education for Scheme Members



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Effective Date and Implementation

- Immediate effect
- The requirements on periodic assessment and disclosure in annual scheme governance reports shall apply for **financial years ending on or after 30 November 2024** and thereafter
- For existing ESG CFs, trustees to review the current disclosures and make necessary updates and revisions **no later than 30 September 2025**

Thank You!