



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

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By Email Only

29 November 2018

Circular Letter: SU/CTR/2018/005

To All Approved Trustees

Dear Sirs,

Corporate Social Responsibility (CSR) of Mandatory Provident Fund (MPF) Trustees

The MPF System is an important social programme in Hong Kong. While MPF trustees have the duty to exercise care, skill, diligence and prudence in administering MPF schemes, they should also be socially accountable to scheme members, other stakeholders and the public. MPF trustees should take heed of the impact that their decisions may have on different aspects of society including economic, social and environmental fronts and formulate CSR strategies as part of their MPF business model. This circular letter highlights a few initiatives that MPF trustees are encouraged to consider when devising their business plans. This circular letter should not be taken as absolving MPF trustees from their statutory obligations and fiduciary duties.

Offering concessionary fee rates to scheme members who stay invested in MPF schemes upon retirement

To enhance retirement savings for an aging population, the Organisation for Economic Co-operation and Development encourages people to contribute more and for longer periods in their retirement plans. As an incentive for scheme members to do so, approved trustees and sponsors of MPF schemes could actively consider charging lower management fees to scheme members who have reached retirement age and have not withdrawn their MPF benefits from MPF

schemes and/or continue to make voluntary contributions to their MPF accounts. MPF trustees should require less efforts in administering these type of accounts. Nevertheless, offering lower fees should not mean providing less or inferior services to these scheme members.

Considering Environmental, Social and Governance (ESG) factors in MPF investments

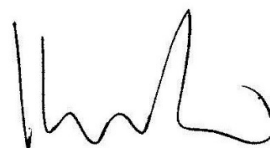
The core mission of pension funds is to deliver the best investment outcome with an assumed risk level. There is a global trend that more and more pension funds in different jurisdictions have incorporated ESG factors into their investment decision-making process for better risk-adjusted return. It is also a good practice for pension funds to disclose their approach to ESG factors in their investment policies. The Authority highly encourages MPF trustees and their investment managers to consider taking into account the relevant international ESG standards into their decision-making process and disclosing their approach to ESG factors to scheme members.

Considering investment in green bonds

Green bonds are one of the ESG thematic investment products that are promoted by the Hong Kong SAR Government. They are designated bonds intended to support climate-related or other types of special environmental projects. MPF trustees are encouraged to discuss with their investment managers the possible inclusion of green bonds in their MPF portfolio holdings, to the extent that such inclusion is appropriate and in compliance with the relevant MPF funds' investment policies.

The Authority expects that MPF trustees will fulfill their corporate social responsibilities by considering the above in their business plans. We will conduct a survey on trustees' measures on CSR and will determine whether guidance in this area is needed. Should you have any questions or would like to discuss with the Authority any of the matters raised in this circular, please contact Mr Franco Au at 2292-1363 or Ms Susanna Lai at 2292-1354.

Yours faithfully,



Joseph Lee
Head (Trustees Supervision)
Supervision Division