

**MEMO# 34324**

October 26, 2022

# Asia ESG: HK SFC Provides Guidance on the Naming of Non-ESG Funds

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TO:  
ESG Task Force  
Global Regulated Funds Committee - Asia

RE:  
Asia ESG: HK SFC Provides Guidance on the Naming of Non-ESG Funds

On 21 October 2022, the Securities and Futures Commission (SFC) updated the March 2022 presentation materials[\[1\]](#) from its industry workshop on ESG fund applications[\[2\]](#) to provide guidance on whether a "Non-ESG Fund" can include a reference to "ESG" or "sustainable" or similar terms in its fund name. It added this guidance as Question 2 at the end of the presentation materials.

By way of recap, the SFC will consider a fund to be an ESG Fund if it incorporates ESG factors as a key investment focus and reflects such in the investment objective and/or strategy.[\[3\]](#) UCITS funds, irrespective of whether they are Article 8 or 9 funds under the EU Sustainable Finance Disclosure Regulation (SFDR), are eligible as ESG Funds only if they incorporate ESG factors as a key investment focus. SFC would generally not expect a fund that does not fall under the scope of ESG Fund ("Non-ESG Fund") to have any reference to ESG terms in its name but may permit exceptions on a case-by-case basis.[\[4\]](#)

SFC added in the presentation materials the conditions under which exceptions to such naming requirement may be granted. It may allow a UCITS fund which is a Non-ESG Fund to retain ESG terms in its name if the relevant manager is able to justify that: (i) the fund name will not be misleading to investors; and (ii) a change of the fund's name will be unduly burdensome. Where an exception to the naming requirement is allowed, SFC expects such Non-ESG Funds to include a prominent warning statement against their names to the effect that the fund is not classified as an ESG Fund in Hong Kong.

Lisa Cheng

## Notes

[1] See updated SFC Presentation Materials on ESG fund applications, available at <https://www.sfc.hk/en/faqs/Publicly-offered-investment-products/Presentation-Materials-on-ESG-fund-applications>.

[2] The SFC hosted an industry workshop on ESG fund applications on 4 March 2022, during which the SFC staff shared observations and regulatory expectations for how a fund could demonstrate its compliance with the Circular to management companies of SFC-authorized unit trusts and mutual funds - ESG funds ("ESG Fund Circular"), available at <https://apps.sfc.hk/edistributionWeb/gateway/EN/circular/products/product-authorization/doc?refNo=21EC27>. For a summary of the March 2022 industry workshop, see ICI Memorandum [34070], dated 10 March 2022, available at <https://www.ici.org/memo34070>.

[3] See ESG Fund Circular, at paragraph 6. For a summary of the ESG Fund Circular, see ICI Memorandum [33665], dated 7 July 2021, available at <https://www.ici.org/memo33665>.

[4] See ESG Fund Circular, at paragraph 12.