

**MEMO# 35214**

March 24, 2023

# **Asia ESG: Hong Kong SFC Guidance on Inclusion of SFDR Disclosures Template in Hong Kong Offering Documents**

[35214]

March 24, 2023

TO: ICI Global Members

ESG Task Force

Global Regulated Funds Committee - Asia SUBJECTS: ESG

International/Global RE: Asia ESG: Hong Kong SFC Guidance on Inclusion of SFDR Disclosures Template in Hong Kong Offering Documents

On March 15, 2023, the Securities and Futures Commission (SFC) provided guidance on how funds making Article 8 and 9 disclosures under the EU Sustainable Finance Disclosure Regulation (SFDR) that are authorized in Hong Kong should incorporate SFDR pre-contractual disclosure template information in their Hong Kong offering documents. It added this guidance in the presentation materials<sup>[1]</sup> of its industry workshop on ESG fund applications.<sup>[2]</sup>

During a workshop in January 2023, while the SFC noted that asset managers should ensure the fund's Hong Kong offering documents are consistent with its overseas offering documents,<sup>[3]</sup> it acknowledged the operational difficulties that asset managers have had in including the SFDR pre-contractual disclosure template information in the offering documents (e.g., due to the substantial amount of bilingual translation involved). Asset managers have expressed concerns about the huge volume and size of the Hong Kong offering document after adding the SFDR disclosure template information, as well as its relevance and additional value brought to Hong Kong investors.

In its guidance, the SFC clarified that, for SFDR Article 8 and 9 funds authorized in Hong Kong, asset managers have the discretion to decide whether or not to include the SFDR pre-contractual disclosure template information in the Hong Kong offering documents, subject to the overarching principle that the offering documents contain information necessary for investors to make informed decisions. This guidance would apply regardless of whether the fund is considered an "ESG Fund"<sup>[4]</sup> in Hong Kong. Where an asset manager decides not to include the SFDR template information in the Hong Kong offering documents, it should still provide such information to investors upon request, and indicate in the Hong Kong offering documents how such a request could be made.

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## Notes

[1] See Industry Workshops on ESG funds, available at [https://www.sfc.hk/-/media/files/PCIP/FAQ-PDFS/Presentation-Materials-on-industry-workshops-for-ESG-funds\\_20230314.pdf?rev=2a66f1b6421c47faaa0b11c87762e2e8](https://www.sfc.hk/-/media/files/PCIP/FAQ-PDFS/Presentation-Materials-on-industry-workshops-for-ESG-funds_20230314.pdf?rev=2a66f1b6421c47faaa0b11c87762e2e8). A new Question 3 was added under Section C, at p.33-34.

[2] The SFC hosted two industry workshops on the Circular to management companies of SFC-authorized unit trusts and mutual funds - ESG funds ("ESG Fund Circular") in March 2022 and January 2023. During the workshops, the SFC shared regulatory expectations for how a fund could demonstrate its compliance with the ESG Fund Circular, and addressed questions that asset managers have encountered during the ESG Fund application process. See ICI Memorandum [34070], dated March 10, 2022, available at <https://www.ici.org/memo34070>; and ICI Memorandum [34855], dated January 31, 2023, available at <https://www.ici.org/memo34855>.

[3] See Industry Workshops on ESG funds, supra note 1, at Operational matters, p.28.

[4] The SFC only considers a UCITS as an ESG Fund in Hong Kong if the fund incorporates ESG factors as the key investment focus, regardless of whether it is an SFDR Article 8 or 9 fund. See ESG Fund Circular, at paragraph 21, available at <https://apps.sfc.hk/edistributionWeb/gateway/EN/circular/products/product-authorization/doc?refNo=21EC27>. Also See ICI Memorandum [33665], dated July 7, 2021, available at <https://www.ici.org/memo33665>.