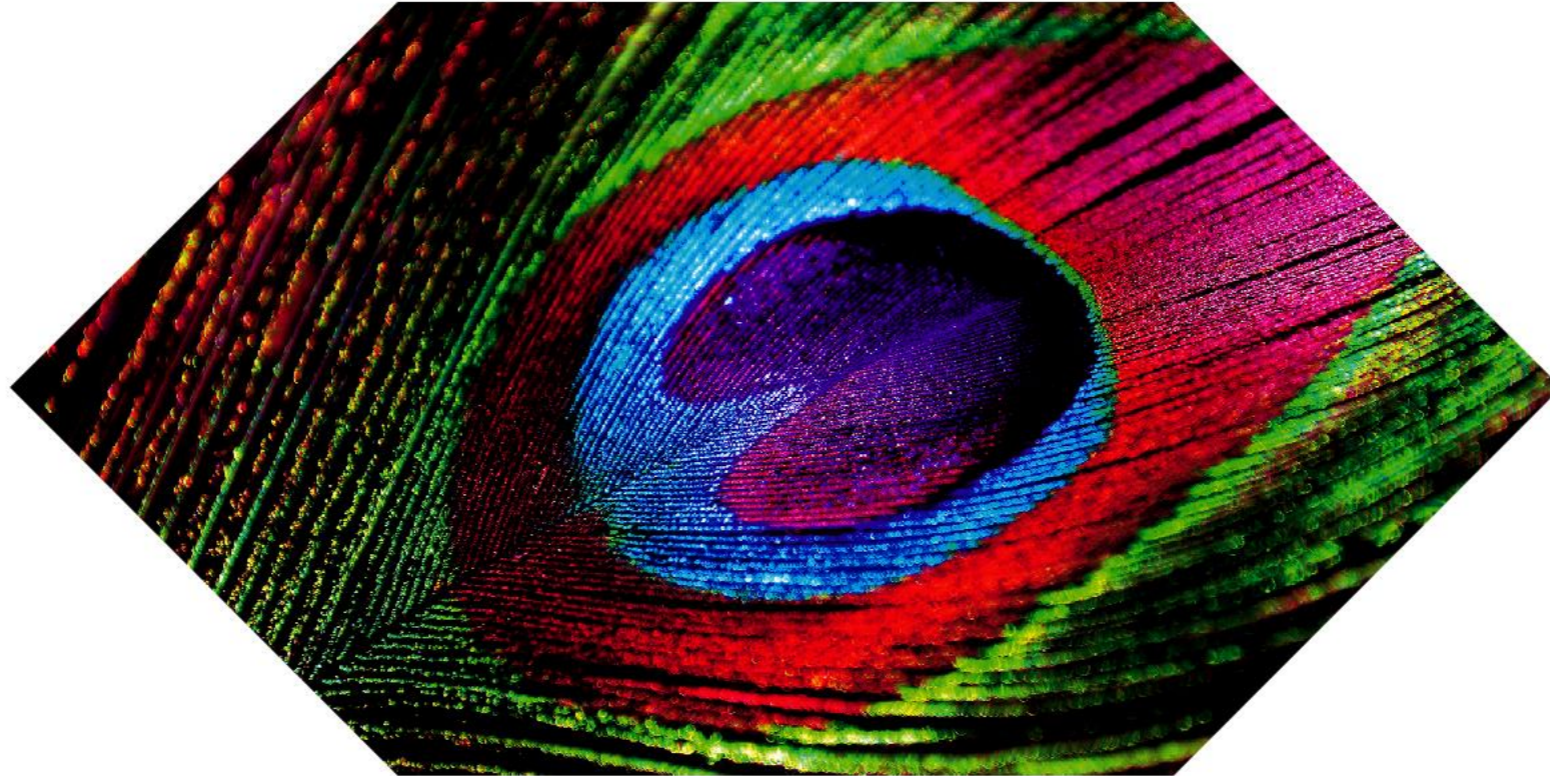


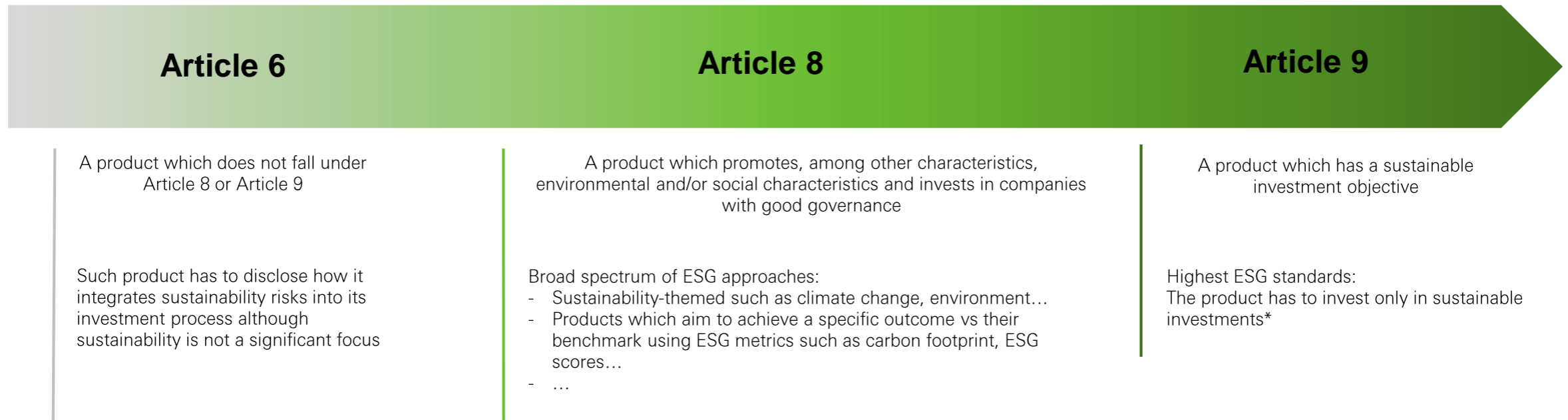
Asset Management

SFDR and HK recognised ESG funds

October 2022



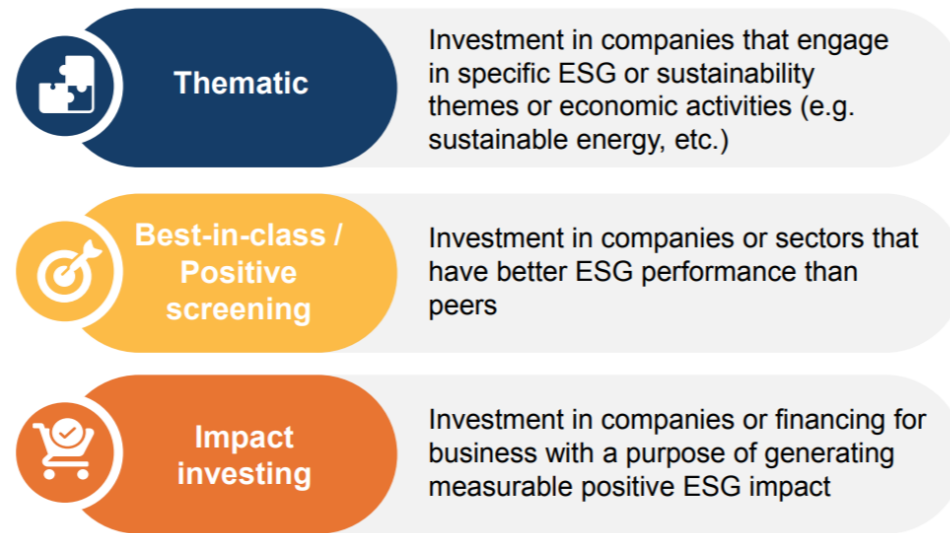
- ◆ The Sustainable Finance Disclosure Regulation (“SFDR”) is an EU regulation which introduced requirements for financial market participants to provide standardized sustainability disclosure to investors. This regulation aims to help investors compare Sustainable/ESG characteristics of funds and to enable them to make informed investment decisions.
- ◆ This regulation applies to all EU domiciled funds which must be classified into one of the three categories below. Funds which are Article 8 or Article 9 require material additional disclosure in their offering documents (as well as supporting periodic reports) which the investment manager (including non-EU delegates) will need to meet and incorporate into their investment strategy.



Notes:

*A sustainable investment as defined by SFDR is an investment in an economic activity that contributes to an environmental or social objective, provided that such investments do not significantly harm any of those objectives and that the investee companies follow good governance practices.

- ◆ Within a Circular dated 29 June 2021, the SFC sets out the requirements for an SFC-authorized fund to be considered as an ESG* Fund
 - The fund should incorporate ESG factors** as key investment focus (“Eligibility” criteria)
 - The fund should reflect such in its investment objective and/or investment strategy (“Disclosure” criteria)
- ◆ An ESG Fund may adopt different ESG strategies to fulfil its key ESG investment objective. Some examples are set out below.



Source: SFC Industry Workshop on ESG Fund applications – March 2022

- ◆ The list of SFC-authorized funds which are ESG Funds can be found on the SFC website: <https://www.sfc.hk/TC/Regulatory-functions/Products/List-of-ESG-funds>

Notes:

*The SFC uses “ESG” as an umbrella term for all ESG/Sustainable and related concepts.

**ESG factors may include those that are aligned with one or more of the ESG criteria or principles recognised globally or nationally.

- ◆ Since the SFDR regulation aims to enhance disclosures, it purposely captures a wider spectrum of products in Article 8 and Article 9 categories, whereas the SFC requires that ESG should be a key investment focus of an ESG Fund.
- ◆ For example, some Article 8 funds may not consider ESG as their key or sole investment focus and therefore may not meet the SFC’s definition of an ESG Fund.



- ◆ **A fund which is Article 8 or 9 but which is not an ESG Fund under the SFC must not be promoted as a sustainable or ESG fund to investors in HK.** Investors should carefully review the fund’s offering documents to better understand its ESG strategy and to make sure it is aligned with the investors’ sustainability preferences.

This document is prepared for general information purposes only and does not have any regard to the specific investment objectives, financial situation and the particular needs of any specific person who may receive it. Any views and opinions expressed are subject to change without notice. This document does not constitute an offering document and should not be construed as a recommendation, an offer to sell or the solicitation of an offer to purchase or subscribe to any investment. Any forecast, projection or target where provided is indicative only and is not guaranteed in any way. HSBC Global Asset Management (Hong Kong) Limited ("AMHK") accepts no liability for any failure to meet such forecast, projection or target. AMHK has based this document on information obtained from sources it reasonably believes to be reliable. However, AMHK does not warrant, guarantee or represent, expressly or by implication, the accuracy, validity or completeness of such information. Investment involves risk. Past performance is not indicative of future performance. Please refer to the offering document for further details including the risk factors. This document has not been reviewed by the Securities and Futures Commission. Copyright © HSBC Global Asset Management (Hong Kong) Limited 2022. All rights reserved. This document is issued by HSBC Global Asset Management (Hong Kong) Limited.

