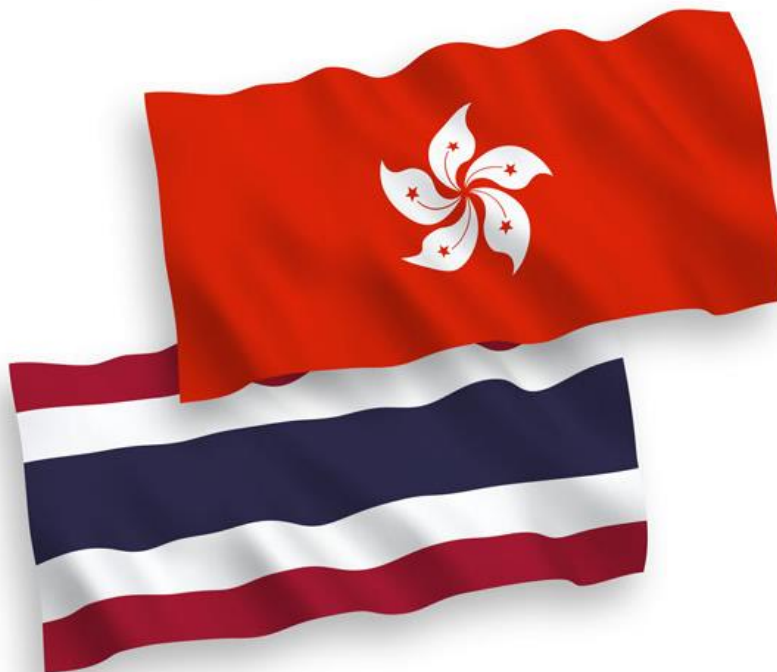




**Additional Guidance
on Cross-border Offerings of ESG funds
under the Mutual Recognition of Funds
between Hong Kong and Thailand**



Background

The Securities and Exchange Commission of Thailand (“SEC”) and the Securities and Futures Commission of Hong Kong (“SFC”) signed a Memorandum of Understanding concerning the Mutual Recognition of Funds between Hong Kong and Thailand (“HK-TH MRF”) on 20th January 2021 to facilitate cross-border offerings of eligible funds between Hong Kong and Thailand. The HK-TH MRF aims to enrich the types of financial products offered to investors and deepen the mutual access between the two financial markets.

Purpose

This Additional Guidance on Cross-border Offerings of ESG funds under the HK-TH MRF (“additional guidance”) is prepared by the SEC to provide guidance to Hong Kong Covered Management Companies or Funds (as the case may be) (hereafter referred to as “Covered Entities”) regarding cross-border offerings of ESG funds under the HK-TH MRF.

Having considered the [Circular to management companies of SFC-authorized unit trusts and mutual funds – ESG funds](#) (“ESG Funds Circular”) issued by the SFC, unit trusts and mutual funds which are authorized as ESG Funds will be deemed to have generally complied in substance with the disclosure requirements set out in the [Attachment to Practical Guidelines No. Nor. Por. 2/2565 Re: Practical Guidelines on Disclosure of Information for Sustainable and Responsible Investing Funds](#) (“SRI Funds Guidelines”). However, Hong Kong Covered Entities will also be required to disclose additional information of such ESG Funds according to the SRI Funds Guidelines before the Hong Kong ESG Funds could be offered in Thailand as SRI Funds. The details of the additional disclosure requirements are as provided in this additional guidance.

Notwithstanding the above, the SEC may request enhanced disclosure and impose or vary the requirements in respect of Hong Kong ESG Funds, when cross-border offering in Thailand, as deemed appropriate. Firms are encouraged to contact the SEC if they are in doubt on any specific issues arising from the application/ interpretation of the matters relating to the HK-TH MRF or the cross-border offerings of ESG Funds.

The information set out below is not meant to be exhaustive and may be updated and revised from time to time. This additional guidance is only for general reference and do not constitute legal advice. Compliance with all the requirements in this additional guidance does not necessarily mean that an application will be accepted or an approval will be granted. The SEC reserves the rights to exercise all powers conferred under the law.

In addition, the Covered Entities shall comply with the following requirements:

- (i) the [Memorandum of Understanding \(MoU\) between the Securities and Futures Commission of Hong Kong \(SFC\) and the Securities and Exchange Commission of Thailand \(SEC\) Concerning Mutual Recognition of Covered Funds and Covered Management Companies and related Cooperation](#) dated 20 January 2021, as amended from time to time (“HK-TH MRF MoU”);

- (ii) the [Circular on Mutual Recognition of Funds between Thailand and Hong Kong](#) issued by the SFC on 20 January 2021, as amended from time to time (“SFC Circular”) (as the case may be);
- (iii) the [Circular on Mutual Recognition of Funds between Hong Kong and Thailand](#) issued by the SEC on 20 January 2021, as amended from time to time (“SEC Circular”) (as the case may be);
- (iv) the relevant securities laws, rules, and regulations governing funds in the respective home and host jurisdiction; and
- (v) the disclosure requirements in the respective host jurisdiction.

Definitions

Unless otherwise defined herein, all capitalized terms shall have the meanings given to them in:

- (i) HK-TH MRF MoU;
- (ii) SFC Circular;
- (iii) SEC Circular;
- (iv) ESG Funds Circular;
- (v) Practical Guidelines No. Nor. Por. 2/2565 Re: Practical Guidelines on Disclosure of Information for Sustainable and Responsible Investing Funds dated 7 March 2022 (“Nor. Por. 2/2565”); and
- (vi) SRI Funds Guidelines.

Disclaimer:

- (i) The English version of the SRI Funds Guidelines is unofficial translation and only the original Thai text has legal force. The English version is strictly for reference.
- (ii) The links provided herein may not be the latest documents. Please check for the most updated documents on the SFC’s or the SEC’s website.

For further information about the HK-TH MRF, relevant documents, and forms, please visit:

- (i) [SFC’s HK-TH MRF webpage](#); and
- (ii) [SEC’s HK-TH MRF webpage](#).

Additional Disclosure Requirements for ESG Funds According to the SRI Funds Guidelines

No.	Source of Requirements	Requirements
Section A: Investment Policies		
1.	Clause 3.1(2)(2.3) of SRI Funds Guidelines	A Hong Kong ESG Fund shall disclose its investment universe from which the fund will select its investments such as the features or characteristics of the issuers and whether the fund will focus its investment in any specific sectors or countries. This information shall be disclosed in the prospectuses and factsheets.
Section B: Investment Benchmarks		
1.	Clause 3.1(3)(3.3.3) of SRI Funds Guidelines	In case a Hong Kong Covered Entity deems that a broad-based index is more appropriate as a reference benchmark than an ESG benchmark with sustainability-related securities as components, the Hong Kong Covered Entity shall clearly disclose the reasons for selecting such benchmark in the prospectuses and factsheets.
Section C: Third-Party Certification		
1.	Clause 3.1(3)(3.2) of SRI Funds Guidelines	In case a Hong Kong Covered Entity charges the expenses of hiring a third-party certifier from the Hong Kong ESG Fund, the Hong Kong Covered Entity shall clearly disclose such information in mutual fund documents.
Section D: SRI Fund's Logo		
1.	Clause 3.1(6) of SRI Funds Guidelines	A Hong Kong Covered Entity shall disclose the SRI Fund's logo on the first page of the Hong Kong ESG Fund's factsheets which is prepared in accordance with the SEC's template.

No.	Source of Requirements	Requirements
Section E: Mutual Fund Reporting		
1.	Clause 3.2(1) of SRI Funds Guidelines	A Hong Kong Covered Entity shall disclose its certification that the management of the fund is in line with the fund’s ESG focus and that the fund complies with the SFC’s ESG Funds Circular in the fund’s semi-annual and annual reports.
2.	Clause 3.2(2) of SRI Funds Guidelines	A Hong Kong Covered Entity shall disclose in the fund’s annual reports any serious problems or events that have occurred, which may require portfolio rebalancing during the past six-month period or accounting year.
3.	Clause 3.2 (last paragraph) of SRI Funds Guidelines	<p>In preparing mutual fund reporting, a Hong Kong Covered Entity shall prepare reports that are accurate, complete, and consistent with the stipulated investment objectives, policies, and strategies, by reporting both positive and negative outcomes, and not merely by giving examples of successful events, in order to ensure that the views provided in the reports will be balanced.</p> <p>In addition, in reporting the negative outcomes, a Hong Kong Covered Entity shall additionally disclose what are some of the approaches the Hong Kong Covered Entity plans to take in solving the issues occurred such that the investors would have sufficient information for making their investment decisions, monitoring their investments, and having an overview of the Hong Kong ESG Fund’s management.</p>
Section F: Additional Requirements for Impact Investing Funds		
1.	Clause 3.1(2)(2.2) of SRI Funds Guidelines	In case the ESG Fund has an impact investing strategy, a Hong Kong Covered Entity shall clearly disclose the Hong Kong ESG Fund’s sustainability-

No.	Source of Requirements	Requirements
		related intended outcomes in its investment policy in the prospectuses and factsheets, for example, reduction of environmental problems, climate transition, equitable quality education, reduction in social inequality, and improvement in accessing essential healthcare.
2.	Clause 3.1(3)(3.1.1) of SRI Funds Guidelines	In case the ESG Fund has an impact investing strategy, a Hong Kong Covered Entity shall clearly disclose the Hong Kong ESG Fund’s measurable outcomes that the fund intends to achieve in the prospectuses.
3.	Clause 3.1(3)(3.1.2) of SRI Funds Guidelines	<p>In case the ESG Fund has an impact investing strategy, a Hong Kong Covered Entity shall procure an impact verifier to conduct an inspection at least once a year to verify that investment made by the Hong Kong ESG Fund has generated positive impacts as stipulated and disclosed to investors by the Hong Kong Covered Entity.</p> <p>The impact verifier may be an internal or external party of the Hong Kong Covered Entity.</p> <ul style="list-style-type: none"> • If the impact verifier is an external party, it shall be a juristic person with the business objective of undertaking such business and shall be able to perform duties independently of the Hong Kong Covered Entity. • If the impact verifier is an internal party of the Hong Kong Covered Entity or affiliated companies, the Hong Kong Covered Entity shall ensure that there are measures to efficiently prevent a conflict of interest and shall keep documents and evidence for the SEC’s inspection.

No.	Source of Requirements	Requirements
		<p>If the Hong Kong ESG Fund is a fund of funds or a feeder fund using the impact investing strategy and has invested over 20% of the fund’s net asset value in any mutual fund (“target fund”) and the target fund uses the impact investing strategy and has assessed positive outcomes from investment, including disclosing information on such positive outcomes to investors in countries permitted to trade investment units of such target fund,</p> <p>the Hong Kong Covered Entity shall clearly disclose information on the target fund’s positive outcomes to investors of the Hong Kong ESG Fund as well as providing a channel for investors to access and examine such information of the target fund.</p> <p>The information as per Clause 3.1(3)(3.1.2) of the SRI Funds Guidelines shall be disclosed on the Hong Kong Covered Entity’s website and the Hong Kong ESG Fund’s annual reports.</p>
4.	Clause 3.1(3)(3.1.3) of SRI Funds Guidelines	In case a Hong Kong Covered Entity charges the expenses of hiring an impact verifier from the Hong Kong ESG Fund, the Hong Kong Covered Entity shall clearly disclose such information in mutual fund documents.
Section G: Deviation from SRI Funds Guidelines		
1.	Clause 5 of Nor Por. 2/2565	In case the disclosure of a Hong Kong ESG Fund deviates from the requirements in the SRI Funds Guidelines, the Hong Kong Covered Entity shall disclose details of such deviations together with relevant justifications to prove that its disclosure is in line with the principles and the requirements of the SRI Funds Guidelines.