



ACMF



ASEAN Sustainable and Responsible Fund Standards



**ASEAN SUSTAINABLE AND RESPONSIBLE
FUND STANDARDS**

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INTRODUCTION

The ASEAN Capital Markets Forum¹ (ACMF) is a forum which comprises capital market regulators from ASEAN countries whose primary task is to promote greater integration and connectivity of regional capital markets.

In line with the growing importance of sustainable finance in ASEAN, in November 2017, the ACMF had launched the *ASEAN Green Bond Standards*, its first sustainable finance initiative. This was followed by the *ASEAN Social Bond Standards* and *ASEAN Sustainability Bond Standards* in October 2018, creating a suite of sustainable bond standards for the region.

The *Roadmap for ASEAN Sustainable Capital Markets* (Roadmap), which contains actionable recommendations to provide strategic direction and guide ACMF and its members in developing action plans and initiatives across the region to drive ASEAN's sustainable agenda forward, was released in May 2020. In line with the Roadmap's recommendation on catalysing products and enabling access to under-served areas, the ACMF has now developed the *ASEAN Sustainable and Responsible Fund Standards* (ASEAN SRFS) to further expand the sustainable asset class in ASEAN that comprises equity, bonds and funds.

The ASEAN SRFS aims to provide the minimum disclosure and reporting requirements that can be consistently applied to collective investment schemes (CIS) that seek to qualify under the ASEAN SRFS, considering the rise of CIS with ESG investment focus and the need for a comparable, uniform and transparent disclosure of information to mitigate the risk of greenwashing. In this regard, CIS or CIS operators, as the case may be, must demonstrate compliance with the ASEAN SRFS which will assist investors in making more informed decisions while guiding the CIS or CIS operators, as the case may be, on the disclosure of information.

¹ About ACMF – <https://www.theacmf.org/about/about-acmf>.

DEFINITIONS

In these standards, the following terms shall have the following meanings, unless the context otherwise requires:

ACMF	means ASEAN Capital Markets Forum
ASEAN	means Association of Southeast Asian Nations
ASEAN SRFS	means the <i>ASEAN Sustainable and Responsible Fund Standards</i> as applicable and as revised from time to time
ASEAN Sustainable and Responsible Fund	means a CIS which complies with the ASEAN SRFS
CIS	means collective investment scheme
CIS operator	means a person or entity which is: (a) licensed or registered with; or (b) approved by, the securities regulator in the ASEAN jurisdiction to operate or manage CIS that may be offered in that jurisdiction
ESG	means environmental, social and governance, or some combination thereof
Fund manager	means a person who is responsible for making investment decisions, or part thereof, for an ASEAN Sustainable and Responsible Fund
NAV	means net asset value

Qualified CIS	means a CIS which complies with the ASEAN SRFS
SDGs	means the Sustainable Development Goals described in the resolution adopted by the United Nations General Assembly
United Nations Global Compact (UNGC) Principles	means the principles relating to sustainability as described by the UNGC

1.0 SCOPE OF THE ASEAN SUSTAINABLE AND RESPONSIBLE FUND STANDARDS

- 1.1 The ASEAN SRFS shall apply to any new or existing CIS that seek to qualify under the ASEAN SRFS.
- 1.2 The ASEAN SRFS applies to CIS constituted or established, and are permitted to be offered by the securities regulators, in the respective ASEAN jurisdiction.
- 1.3 The ASEAN SRFS and the relevant securities laws, rules and regulations governing CIS in the respective ASEAN jurisdiction should be read together and complied with.
- 1.4 In the case of an umbrella fund structure, the ASEAN SRFS will only apply to a sub-fund of the umbrella fund that wishes to be qualified under the ASEAN SRFS.

2.0 OBJECTIVE OF THE ASEAN SUSTAINABLE AND RESPONSIBLE FUND STANDARDS

The ASEAN SRFS is intended to provide the minimum disclosure and reporting requirements that can be consistently applied to CIS that seek to qualify under the ASEAN SRFS, to enhance the transparency and uniformity of qualified CIS under the ASEAN SRFS.

3.0 GUIDANCE ON THE ASEAN SUSTAINABLE AND RESPONSIBLE FUND STANDARDS DISCLOSURE REQUIREMENTS

An ASEAN Sustainable and Responsible Fund must provide detailed description of the information as required under this chapter of the ASEAN SRFS in its offering documents, as well as those required by the relevant securities laws, rules and regulations governing CIS in the respective ASEAN jurisdiction.

3.1 Name of Fund

- 3.1.1 The name of an ASEAN Sustainable and Responsible Fund should accurately and proportionately reflect the sustainability features of the CIS, as set out in the sustainable investment strategies or objectives of the CIS.

- 3.1.2 The name of an ASEAN Sustainable and Responsible Fund should not overstate or overemphasise the sustainability features of the CIS or be misleading.

Guidance to paragraphs 3.1.1 and 3.1.2

For avoidance of doubt, any reference to ESG features in the name of the ASEAN Sustainable and Responsible Fund should correspond to the sustainability features against other features of the CIS.

- 3.1.3 The offering documents of an ASEAN Sustainable and Responsible Fund must include a statement on the cover page, or first page (where there is no cover page), that the CIS is a qualified CIS under the ASEAN SRFs.

3.2 Sustainable Investment Objectives and Strategies

- 3.2.1 Description on the ASEAN Sustainable and Responsible Fund's sustainable investment objectives and strategies, including the selection, retention and realisation of its investments, and how they will be continuously implemented in the investment process, must be disclosed. The ASEAN Sustainable and Responsible Fund should primarily invest in securities which are in accordance with its sustainable investment objectives and strategies, with a minimum asset allocation of at least two-thirds ($\frac{2}{3}$) of its NAV, at all times.
- 3.2.2 Disclosures must be made on the sustainability principles adopted by the ASEAN Sustainable and Responsible Fund to achieve its sustainable investment objectives. Examples of these sustainability principles include, but are not limited to:
- (i) Sustainable Development Goals (SDGs);
 - (ii) UNGC Principles; and
 - (iii) Other ESG or sustainability considerations practiced nationally or globally.

3.2.3 Disclosures must also be made on the sustainable investment strategies which may be adopted by the ASEAN Sustainable and Responsible Fund, to achieve its sustainable investment objectives. Examples of these sustainable investment strategies include, but are not limited to:

- (i) Active ownership;
- (ii) ESG integration;
- (iii) Ethical and faith-based investing;
- (iv) Impact investing;
- (v) Negative screening;
- (vi) Positive screening;
- (vii) Thematic investing; and
- (viii) Other sustainable investment strategies practiced nationally or globally.

Guidance to paragraph 3.2.3

Active ownership: Involves engagement with investee companies, voting at meetings regarding sustainability or ESG matters, issues or influence in the investee's behavior, policies, and practices relative to sustainability or ESG.

ESG integration: The systematic and explicit inclusion by CIS, CIS operators, or fund managers, as the case may be, of environmental, social and governance factors into financial analysis.

Ethical and faith-based investing: Investing in line with certain principles, usually using negative screening to avoid investing in companies whose products and services are deemed morally objectionable by the investor or certain religions, international declarations, conventions or voluntary agreements, (e.g. by applying Shariah screening methodologies).

Impact investing: Investments made with the intention to generate positive, measurable social and environmental impact alongside a financial return. An ASEAN Sustainable and Responsible Fund with an impact investing strategy are required to clearly state the positive impacts that it aims to achieve, and the impact measurement methodology used.

Negative screening: Excluding certain sectors, companies or projects for their poor ESG performance relative to industry peers or based on specific ESG criteria (e.g. avoiding particular products, services or business practices).

Positive screening: Investing in sectors, companies or projects selected for their positive ESG performance relative to industry peers.

Thematic investing: The identification and allocation of capital to themes or assets related to certain environmental or social outcomes, (e.g. clean energy, energy efficiency, sustainable agriculture, healthcare, social inclusion).

- 3.2.4 For clarity, CIS which merely adopts the ESG integration strategy or negative screening strategy to seek financial returns without having a sustainable investment objective, would not be able to qualify under the ASEAN SRFS.

3.3 Policies and Procedures to Ensure Compliance with the ASEAN Sustainable and Responsible Fund Standards

- 3.3.1 The CIS, CIS operator, or fund manager, as the case may be, must continuously monitor and evaluate the underlying investments to ensure that the ASEAN Sustainable and Responsible Fund continues to comply with the requirements under the ASEAN SRFS throughout its lifecycle.
- 3.3.2 Disclosures must be made on how the sustainable investment objectives and strategies are being measured and monitored throughout the lifecycle of the ASEAN Sustainable and Responsible Fund and the due diligence carried out to ensure the underlying investment's compliance with the ASEAN Sustainable and Responsible Fund's sustainable investment objectives and strategies.

- 3.3.3 The ASEAN Sustainable and Responsible Fund's stewardship policies i.e. proxy voting and shareholder engagement, and how these policies take into account the ASEAN Sustainable and Responsible Fund's sustainable investment objectives and strategies should also be disclosed.
- 3.3.4 Description on the ASEAN Sustainable and Responsible Fund's policies and processes to deal with such events where the fund has breached the minimum asset allocation threshold or where the fund's investments become inconsistent with its investment objectives and strategies.
- 3.3.5 The ASEAN Sustainable and Responsible Fund should also disclose measures to be taken to ensure that the overall impact of its investments is not inconsistent with any other sustainability considerations.
- 3.3.6 Other relevant policies and procedures to ensure compliance with the ASEAN SRFS should also be disclosed, if available.
- 3.3.7 In the event that the investment management function of the ASEAN Sustainable and Responsible Fund has been delegated, the CIS operator must remain responsible for any delegated functions and the CIS operator must have in place suitable processes to monitor and control the activities of the delegate and evaluate the performance of the delegate. The duty for the disclosure and reporting of the CIS to be in accordance with the ASEAN SRFS would fall on the CIS operator and the appropriate arrangement needs to be established between the CIS operator and the delegate to ensure compliance to the ASEAN SRFS.
- 3.3.8 The CIS or CIS operator, as the case may be, must use its best efforts to provide, without prior request, as soon as reasonably practicable, the relevant information which may include but is not limited to any material event that could adversely impact the CIS' ability to comply with the ASEAN SRFS, to the securities regulator in the respective ASEAN jurisdiction.
- 3.3.9 When an ASEAN Sustainable and Responsible Fund is found to be no longer in compliance with the ASEAN SRFS, the securities regulator in the respective ASEAN jurisdiction may revoke the ASEAN SRFS qualification of the CIS.

3.4 Reference Benchmarks and Indices

- 3.4.1 In the event that an index is designated as a reference benchmark for the purpose of attaining the ESG focus of the ASEAN Sustainable and Responsible Fund, the following information should be disclosed in the relevant offering documents:
- (i) Where the ASEAN Sustainable and Responsible Fund is tracking an ESG benchmark (e.g. an index fund), details of the benchmark being tracked including the characteristics and general composition of the benchmark; or
 - (ii) Where the ASEAN Sustainable and Responsible Fund seeks to measure its ESG focus against a designated reference benchmark, an explanation of how the designated reference benchmark is relevant to the fund.
- 3.4.2 In the event that a benchmark index is used only for the purpose of measuring the financial performance of the ASEAN Sustainable and Responsible Fund, the CIS would be required to disclose as such.

3.5 Sustainability Risk Considerations

- 3.5.1 Disclosures should be made on the ASEAN Sustainable and Responsible Fund's risks and limitations associated with its sustainable investment objectives and strategies, including how these risks or limitations will be managed, as well as its mitigation policies.

3.6 Use of Third-Party Verification

- 3.6.1 The CIS or CIS operator, as the case may be, may appoint a third-party verifier on a voluntary basis, to verify the ASEAN Sustainable and Responsible Fund's investments are aligned with its sustainable investment objectives and strategies. In the event that third-party verifiers are required by the relevant securities laws, rules and regulations that form the regulatory frameworks governing CIS in the respective ASEAN jurisdiction, these requirements are to be complied with by the CIS.
- 3.6.2 Where the CIS or CIS operator, as the case may be, appoints a third-party verifier, the verification report must be made publicly available on a publicly available designated website. Disclosures on the third-party verifier's relevant credentials and expertise must also be made in the report produced.

4.0 GUIDANCE ON THE ASEAN SUSTAINABLE AND RESPONSIBLE FUND STANDARDS REPORTING REQUIREMENTS

- 4.1 ASEAN Sustainable and Responsible Funds must provide detailed description of the information as required under this chapter of the ASEAN SRFS in their annual or interim reports, where applicable:
- (i) A statement that the ASEAN Sustainable and Responsible Fund has complied with the ASEAN SRFS within the reporting period;
 - (ii) Descriptions on sustainability considerations that has been adopted in the sustainable investment objectives and strategies employed; and
 - (iii) Description on how the ASEAN Sustainable and Responsible Fund has attained its sustainable investment objectives and strategies during the reporting period. These may include, but are not limited to:
 - (a) A review on sustainability considerations of the ASEAN Sustainable and Responsible Fund's portfolio;
 - (b) The proportion of underlying investments that are consistent with the ASEAN Sustainable and Responsible Fund's sustainable investment objectives and strategies;
 - (c) In the event that the ASEAN Sustainable and Responsible Fund's underlying investments are inconsistent with its investment objectives and strategies, descriptions on steps undertaken to rectify the inconsistency;
 - (d) Descriptions on the actions taken in attaining the CIS' sustainable investment objectives and strategies;
 - (e) A comparison of the ASEAN Sustainable and Responsible Fund's performance against the designated reference benchmark, in the case of paragraph 3.4.1, if available;
 - (f) Descriptions on sustainability risk considerations and the inclusion of such risks in the ASEAN Sustainable and Responsible Fund's investment decision-making process; and

- (g) Any other information, considered necessary and relevant by the CIS, CIS operator or the fund manager, as the case may be.
 - (iv) In the event that the ASEAN Sustainable and Responsible Fund has provided previous periodic assessments, a comparison between the current and at least the previous assessment period.
- 4.2 The annual or interim reporting, where applicable, must be made publicly available on a website designated by the CIS or CIS operator, as the case may be.
- 4.3 In the case of an ASEAN Sustainable and Responsible Fund with an impact investing strategy, the CIS or CIS operator, as the case may be, should publish the ASEAN Sustainable and Responsible Fund's impact reporting on an annual basis and provide a comparison to the results of previous reporting periods for transparency and comparability purposes.

Guidance to paragraph 4.3

For avoidance of doubt, the ASEAN Sustainable and Responsible Fund's impact reporting may be integrated in the CIS's annual report or prepared as a separate reporting, as deemed appropriate.

5.0 DEDICATED ASEAN SUSTAINABLE AND RESPONSIBLE FUND WEBPAGE

To enhance the visibility of ASEAN Sustainable and Responsible Funds, a list of qualified ASEAN Sustainable and Responsible Funds or sub-funds will be uploaded and updated regularly on the ACMF microsite dedicated for the ASEAN SRFS. An ASEAN Sustainable and Responsible Fund that no longer qualifies under the requirements of the ASEAN SRFS and any subsequent amendments will be removed from the list accordingly.