

## Frequently Asked Questions

### Guidelines on Sustainable and Responsible Investment Funds

#### **GENERAL**

**1. Are these guidelines applicable to new funds only, or should existing funds approved or authorised by or lodged with SC need to comply as well?**

These Guidelines will apply to both new and existing funds that seek to qualify as an SRI fund.

#### **SRI POLICY AND STRATEGIES**

**2. Which strategies and what sustainability considerations should our fund incorporate?**

The SC recognises that SRI is an evolving area in the capital markets. With the need for fund managers to innovate and the lack of universal standards on sustainability, the approach employed in managing an SRI portfolio varies broadly in practice.

Deciding which factors that are material and how they should be incorporated in the investment process of an SRI fund is a subject of much debate and discussion. Table 1 below illustrates some examples of strategies and sustainability considerations that these strategies may incorporate in practice.

In the context of these Guidelines, it will be up to the fund manager to determine which and how sustainability considerations are taken into account in the fund's investment policies and processes. This information, however, must be clearly communicated to investors.

Table 1

<b>Strategy</b>	<b>Description</b>
<b>Negative or exclusionary screening</b>	<p>Exclusion of certain sectors, companies undertaking certain business activities or practices from a fund or portfolio based on specific environmental, social or governance criteria including Shariah screening methodology.</p> <p><i>Examples: Exclusion of companies involved in tobacco products, weapons and armaments, violations of human rights</i></p>
<b>Positive or best-in-class screening</b>	<p>Prioritising investment in companies or projects that demonstrate positive environmental, social or governance performance relative to industry peers</p> <p><i>Examples: Companies with minimal carbon footprint, sustainable supply chains, community engagement</i></p>

<b>Norms-based screening</b>	<p>Screening against minimum standards of business practice based on international norms</p> <p><i>Examples: Screening against violations of UN Global Compact Principles, International Labour Organisation conventions</i></p>
<b>ESG integration</b>	<p>Systematic and explicit inclusion by investment managers of environmental, social and governance factors into financial analysis</p> <p><i>Examples: Investment selection involving ESG scoring, benchmarking against ESG index</i></p>
<b>Sustainability themed investing</b>	<p>Investment in themes or assets specifically related to sustainability</p> <p><i>Examples: Funds focusing on clean energy, efficient resource use, green technology, sustainable supply chain financing</i></p>
<b>Impact/community investing</b>	<p>Targeted investments with the intent to solve social or environmental issues, or investments towards businesses and projects with a clear social or environmental purpose</p> <p><i>Examples: Investments in community rejuvenation projects, social enterprises creating employment opportunities for disadvantaged or underrepresented segments of the community, waqf projects</i></p>
<b>Corporate engagement and shareholder action</b>	<p>Use of shareholder power to influence corporate behaviour, including through direct corporate engagement (i.e., communicating with senior management and/or boards of companies), filing or co-filing shareholder proposals, and proxy voting that is guided by comprehensive ESG guidelines.</p> <p><i>Examples: Funds that intend to improve adherence to corporate governance standards, funds that engage with the management of the company to address sustainability issues (in addition to positive and negative screening)</i></p>

**3. The screening methodology of our Islamic fund complies with the SC’s SAC methodology, or an equivalent international standard. Would this approach qualify as an SRI fund?**

Shariah-compliant and/or faith-based investment process, which usually employs exclusionary-based screening strategy to filter investment universe, are generally aligned with the approaches and strategies used by SRI funds. Hence, funds that adhere with SAC’s screening methodology (or an equivalent standard) may be eligible to be an SRI fund under these Guidelines.

## **APPLICATIONS**

**4. I would like to submit an application for the establishment of a new unit trust fund under the expedited authorisation process for non-complex fund, which includes qualification to be an SRI fund. Could the fund still be authorised within 10 business days from the date following the day the SC receives a complete and accurate submission before 12:00pm on a business day?**

You are advised to approach Managed Investment Schemes Department for a consultation prior to submitting the application in order to ensure any significant issues that may affect the assessment time under the expedited authorisation process are addressed. When determining how much time prior to submission you should take for the consultation stage, you may take into consideration whether the fund's SRI strategy incorporates novel elements, for example if the fund's SRI strategy does not fall under any of the SRI strategies prescribed in the table as guidance to paragraph 3.04 of the SRI Guidelines.