

Unofficial Translation

*Readers should be aware that only the original Thai text has legal force
and that this English translation is strictly for reference.*

Annex

Attachment to Practical Guidelines No. Nor Por. 2/2565

Practical Guidelines on Disclosure of Information
for Sustainable and Responsible Investing Funds

Office of the Securities and Exchange Commission

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1. Definitions

Greenwashing	refers to	practices aimed to mislead investors or to give them a false impression about how well the SRI fund is aligned with its sustainability goals.
Asset management company	refers to	any securities company licensed to undertake securities business in the category of mutual fund management.
Notification No. Tor Nor. 11/2564	refers to	the Notification of the Capital Market Supervisory Board No. Tor Nor. 11/2564 Re: Rules for Management of Retail Funds, Mutual Funds for Accredited Investors, Mutual Funds for Institutional Investors and Private Funds, dated 29 January 2021.
Office	refers to	the Office of the Securities and Exchange Commission.
Internationally recognized principles	refer to	<p>Sustainability principles recognized globally such as:</p> <ul style="list-style-type: none"> • United Nations Global Compact (UNGC) • United Nations Sustainable Development Goals (UN SDGs) • Task Force on Climate-related Financial Disclosures (TCFD) • Green Bond Principles (GBP) of the International Capital Market Association • EU Green Bond Standard (GBS) of the Climate Bonds Initiative
Mutual fund documents	refer to	mutual fund schemes, fact sheets and mutual fund prospectuses.
ESG	refers to	sustainability factors consisting of environmental, social and governance factors.
SRI fund	refers to	Sustainable and Responsible Investing fund.

2. Introduction

Investors worldwide have increasingly become interested in the sustainable investing approach which is a form of investment where sustainability is taken into account by focusing on factors affecting the business growth, including sustainability factors, namely environmental, social and governance factors, as they will enable businesses or companies issuing securities to enjoy long-term and sustainable growth and to be accepted by relevant stakeholders. With the growth of sustainable investing, especially among institutional investors, such as asset management companies where fund managers have integrated sustainability factors into their investment analysis, regulators around the world have gradually issued disclosure requirements for mutual funds with sustainability investment focus, with the aims of promoting transparency for such type of mutual funds and to enable investors to make informed investment decisions.

Currently, sustainable investing in Thailand continuously gains attention from retail investors. Asset management companies have increasingly established and offered for sale mutual funds with ESG focus and investment objectives, while the Office has not yet issued any rules to accommodate disclosure of information for such type of mutual funds. Consequently, the quality of disclosure varies among asset management companies. The investors are therefore unable to compare information among mutual funds with similar investment features and they may have inadequate information to make investment decisions, which in turn leads to the risk of greenwashing.

In this regard, the Office has prepared the Practical Guidelines on Disclosure of Information for Sustainable and Responsible Investing Funds (the “Practical Guidelines”) for asset management companies to use as guidelines for disclosure of information on SRI funds. If asset management companies disclose information based on this Practical Guidelines, it shall be deemed that information has been disclosed in accordance with the Office’s principles. However, disclosure of information as stipulated in the Practical Guidelines is merely the minimum requirements on information that should be disclosed by asset management companies because there may be some other data related to mutual funds, which, if disclosed, will enable transparency and reflect sustainable investment of such funds and will be useful to investors in their investment decision-making. Therefore, asset management companies may add such useful information as deemed appropriate for the features of mutual funds managed by them or in accordance with the international development on sustainable investing , and may also provide supporting reasons that such disclosure of information meets the principles of the Office which requires the information disclosed to be transparent and measurable.

The Office hopes that the Practical Guidelines will enable asset management companies to properly disclose information on SRI funds to enable mutual funds to be investment tools that help create sustainability and positively generate social and environmental impacts and being part of the capital market development towards sustainability and meeting the national strategies, including the United Nations Sustainable Development Goals or UN SDGs.

Investment Management Policy Department
Environmental Social and Governance Department
Office of the Securities and Exchange Commission

3. Practical Guidelines on Disclosure of Information of SRI Funds

To improve operational standards, especially in relation to disclosure of information on SRI fund management to ensure that there is no misleading information that will cause greenwashing as well as to ensure that asset management companies will have the same operational standards, that there is transparency in practice, and that the Office will be able to inspect such operations, the Office hereby stipulates minimum standards for SRI fund information disclosure, in line with internationally recognized principles¹ as described below:

3.1 Disclosure of Information in Mutual Fund Schemes, Fact Sheets and Prospectuses (as the case may be)

(1) Mutual fund name: The mutual fund name shall reflect the fund’s ESG focus, which must be in accordance with internationally recognized principles. The mutual fund must in each accounting year invest, on average, at least 80% of the fund’s net asset value in securities that reflects the ESG features of the fund, ensuring consistency between the fund’s name and its investment objectives.

In case of a feeder fund, the asset management company may use the same name as its master fund.²

Examples of Greenwashing:

1. A mutual fund has “ESG” in its name, but its investment objectives only state that it seeks “to provide capital appreciation by investing primarily in global equity securities;”
2. A mutual fund has the word “sustainable” in its name, but its investment objectives only reference financial performance;
3. A mutual fund has “ESG” in its name, but only uses a limited negative screening strategy to exclude investments in controversial weapons and does not materially consider ESG factors in the rest of its investment strategies. In such case, the investors may also be misled by the name of the fund as the word “ESG” in the fund’s name suggests that the fund focuses on all three components of ESG when it only focuses on one component;
4. A mutual fund has the word “sustainable” in its name, but its disclosure states that the asset management company may take ESG factors into account in the product’s investment strategies and there is no actual commitment to doing so.

(2) Investment policies: Investment policies must reflect the ESG focus of the fund, which shall be in accordance with internationally recognized principles. Asset management companies must adhere to the principles of disclosing information that is accurate, updated and not misleading or misrepresented.

Asset management companies shall disclose at least the following details:

(2.1) **sustainability-related investment objectives**, such as climate change, green, low carbon footprint, and social equality.

¹ For example, the Examples of Greenwashing in this Practical Guidelines are sourced from IOSCO’s Recommendations on Sustainability-Related Practices, Policies, Procedures and Disclosure in Asset Management (Final Report), published in November 2021 by the Board of the International Organization of Securities Commissions, Source: <https://www.iosco.org/library/pubdocs/pdf/IOSCO688.pdf>

² Based on the provisions stipulated in the Notification of the Capital Market Supervisory Board No. Tor Nor. 87/2558 Re: Investment of Funds, dated 17 December 2015.

(2.2) **intended outcomes of mutual funds (if any)**, such as reduction of environmental problems, climate transition, equitable quality education, reduction in social inequality, and improvement in accessing essential healthcare. If mutual funds do not have any specific intended outcomes, the asset management companies shall also disclose the reasons thereof to investors; and

(2.3) **investment universe**, such as the type or scope of investable securities on which mutual funds intend to focus their investments. Asset management companies shall also disclose the qualifications of securities issuer such as credit rating, the group of countries and group of industries in which mutual funds intend to invest.

Examples of Greenwashing:

1. The mutual fund claims to use a negative screening investment strategy to screen out all companies that are unaligned with the internationally recognized principles from the scope of investment, but the fund's portfolio in fact holds such securities;
2. The mutual fund claims "Paris alignment" in its investment strategies but does not articulate what "Paris alignment" means and how it will be achieved by the product.

(3) Investment strategies: Asset management companies shall disclose information related to the investment strategies used by fund managers for particular mutual funds, such as screening (positive/negative/norm-based) and/or ESG Integration, and/or impact investing, and/or thematic.

(3.1) The impact investing strategy aims at investing in securities generating positive impacts on the society or the environment or encouraging better social or environmental changes, such as education, health and quality of life, assistance for the underprivileged, and environmental responsibility. Asset management companies therefore must explicitly stipulate and disclose measurable outcomes that the mutual funds intend to achieve to enable verification that investment by SRI funds using the impact investing strategy can actually generate positive impacts as stipulated and disclosed to investors by asset management companies. In this regard, asset management companies shall perform the following acts:

(3.1.1) explicitly stipulate and disclose measurable outcomes that the fund intends to achieve in the mutual fund documents, such as how many million liters of water consumption per year, how many tons of carbon dioxide emission per year, and how many tons of waste SRI funds aim to reduce;

(3.1.2) procure a positive impact verifier to conduct an inspection at least once a year to verify that investment made by SRI funds has generated positive impacts as stipulated and disclosed to investors by asset management companies. The impact verifier may be an internal or external party of asset management companies.

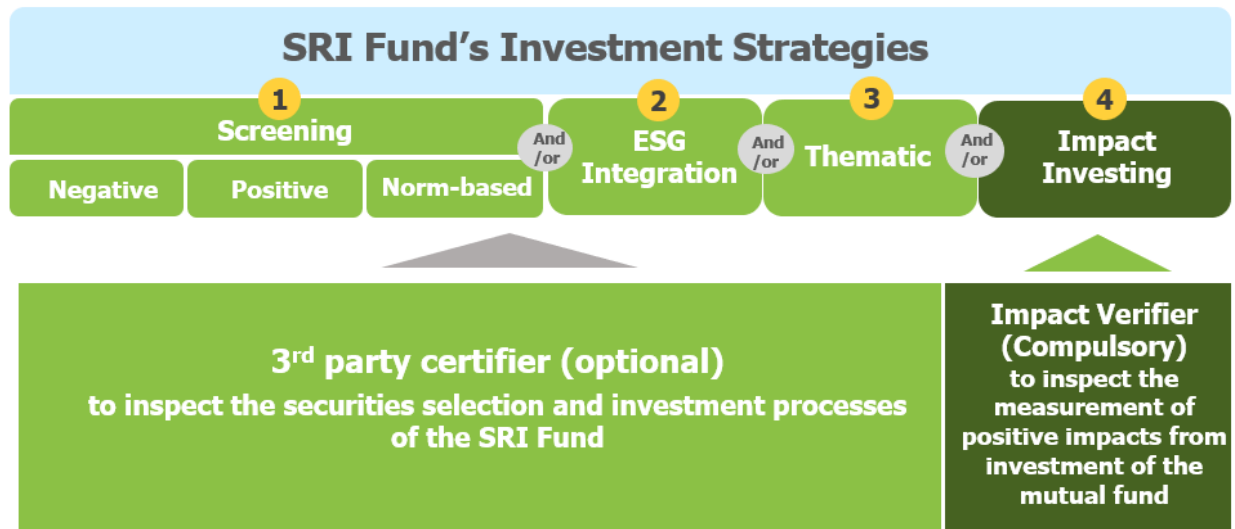
- If the impact verifier is an external party, it shall be a juristic person with the business objective of undertaking such business and shall be able to perform duties independently of asset management companies.

- If the impact verifier is an internal party of asset management companies or their affiliated companies, the asset management companies shall ensure that there are measures to efficiently prevent a conflict of interest and shall keep documents and evidence for the Office's inspection.

- If an SRI fund is a fund of funds or a feeder fund using the impact investing strategy and has invested over 20% of the SRI 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, the relevant asset management company shall explicitly disclose information on positive outcomes to investors of the fund of funds or feeder fund as well as providing a channel for investors to access and examine such information of the target fund.

(3.1.3) If asset management companies charge the expenses for hiring an impact verifier from mutual funds, the asset management companies shall clearly disclose such information in the mutual fund documents to enable investors to use such information in support of their investment decision-making.



(3.2) For other SRI funds being managed with other investment strategies, asset management companies should consider appointing a third-party certifier³ to certify at least once a year that the operations of the SRI funds are in accordance with the disclosure made by asset management companies to investors in the mutual fund documents. The provision of a third-party certifier shall be at the discretion of asset management companies.

(3.3) In addition, asset management companies must at least disclose the following information for SRI funds under their management, regardless of which investment strategy is applied:

(3.3.1) Criteria for securities selection, such as the fund manager will select:

- securities with ESG ratings;

³ The third-party certifier shall be a juristic person with the business objective of undertaking such business and shall be able to perform duties independently of the asset management company. If such juristic person is the asset management company's affiliated company, the asset management company must provide efficient conflict of interest prevention measures and keep related documents and evidences for the Office's inspection. In addition, the third-party certifier must at least specify the scope of appraisal as follows: (1) whether the mutual fund invests in securities that reflect the ESG features of the fund as stipulated in the mutual fund scheme; (2) whether the asset management company has securities selection and investment monitoring processes to ensure that the investment of the mutual fund is in accordance with the sustainability principles under the internationally recognized principles, and if so, how. In case the asset management company charges the expenses for hiring the third-party certifier from the mutual fund, the asset management company shall also explicitly disclose such information in the mutual fund documents.

- securities assessed or certified by independent parties;
- securities is the constituents of ESG indices which could be either domestic or foreign ESG indices;
- securities where the fund manager has run in-house fundamental and/or technical analysis on the securities and have taken sustainability factors into consideration;
- securities of businesses that have been assessed by independent appraisers that the businesses contributed to the reduction of carbon footprint and environmental impacts; and
- securities of businesses where a significant proportion of their revenues or profits come from environmentally friendly activities.

If asset management companies use ESG ratings or appraisal/certification from an independent party or make reference to ESG indices in the securities selection process, asset management companies must also disclose the source of information which investors may refer to the methodologies for ESG ratings or appraisal/certification methodologies of the independent party or the methodologies for ESG indices, as applicable.

(3.3.2) Securities analysis and selection process, such as the fund manager will:

- develop his own proprietary ESG ratings and tools;
- examine sustainability reports or researches prepared by third parties; and
- engage with investee companies.

(3.3.3) Reference to ESG indices as investment benchmarks: asset management companies shall disclose whether the constituents of the indices consist of securities of companies that contribute to the sustainable development goals, or operate in line with other internationally recognized principles, and if so, how.⁴ Asset management companies shall also disclose the information source which investors can study index methodologies in which the mutual funds make reference to.

(3.3.4) Investment restrictions (if any): Asset management companies shall disclose whether the mutual funds have any investment restrictions, and if so, how, e.g. the mutual funds will not invest in securities of companies in certain businesses within particular industries.

Examples of Greenwashing:

1. The mutual fund documents do not explain the mutual fund's negative screening process, other than stating that investments with material ESG issues and poor risk/return characteristics will be excluded from its investments;
2. The mutual fund documents state that the fund manager may exclude companies involved in severe ESG-related controversies but do not explain or describe what would constitute a severe ESG-related controversy;
3. The mutual fund documents specify that the fund manager uses a quantitative multi-factor model, but the investment strategies disclosure in the mutual fund's prospectus does not describe or explain the ESG factors used in the model;
4. The mutual fund refers to a specific combination of indices, which are briefly described in the

⁴ If the asset management company deems that a broad-based index is more appropriate as a reference benchmark than an ESG benchmark with sustainability-related securities as components, the asset management company shall also clearly disclose to investors the reasons for selecting such benchmarks.

- product's prospectus, but there is no description of the ESG factors used by the indices;
5. The mutual fund documents do not explain what the third-party ESG ratings used by the mutual fund in determining its investment universe represent, how they should be interpreted in the context of the mutual fund's investment objectives and strategies, and the source of the ratings;
 6. An index-tracking mutual fund references climate change in its name and specifies in its key investor information document that it invests in companies that contribute to climate transition, but the disclosure provides limited information about how the selected index meets the objective of investing in companies that contribute to climate transition;
 7. The mutual fund has significant weighting in certain "sin stock" sectors, despite the mutual fund's marketing materials emphasising that the product's investment strategies take ESG factors into account and the investment strategies disclosure does not explain that the mutual fund may invest in certain "sin stock" sectors.

(4) Relevant risks from sustainable investment, such as:

- Dependency upon information and data from third parties ESG providers, which may be incomplete, inaccurate or unavailable;
- Portfolio being concentrated in companies with ESG focus and its value may be more volatile than that of a fund having a more diverse portfolio of investments;
- Fund manager may incorrectly assess a security or issuer;
- Sustainability risks affecting performance of mutual funds; and
- Impacts on sustainability that may arise from investment decisions of mutual funds.

(5) Policies and processes to deal with such event where the SRI fund's investments become inconsistent with its investment strategies and policies stipulated in the mutual fund documents.

(6) Logo of the SRI fund: Asset management companies shall disclose the SRI fund's logo on the first page of the fact sheet.

3.2 Disclosure of Information in Mutual Fund Reporting

Asset management companies shall at least disclose the following information:

(1) a statement that asset management companies manage mutual funds in line with the ESG focus and the specified internationally recognized principles as well as complying with the SRI fund regulations; and

(2) a report on the management of mutual fund and how the mutual fund has attained its ESG focus which is in line with internationally recognized principles, including:

- any serious problems or events that have occurred and any portfolio rebalancing that has been made during a six-month period or accounting year, or that is being carried out;
- engagement with executives of listed companies or securities issuers. In this regard, the asset management companies shall disclose the nature, reasons, necessity and outcome of such engagements during the assessment period;

- sustainability-related risks and how the fund manager has integrated such risks in the investment decision-making process; and
- the outcome from sustainable investment management, such as an increase in portfolio returns, a rise in the number of investors, the overall impacts on the economy, society, or environment from investment of SRI funds, and opinions of asset management companies regarding such performance or impacts.⁵

Asset management companies shall disclose to the unitholders whether the outcome from sustainable investment management is consistent with or complies with the objectives of the mutual fund schemes, and if so, how, and shall also disclose to the unitholders the measurement method for such outcome. In addition, where the mutual fund has provided such information in the previous accounting period, a comparison between the current and at least the previous account period shall be disclosed.

Moreover, in preparing the mutual fund reporting, asset management companies must 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. In addition, in reporting the negative outcomes, asset management companies must additionally disclose what are some of the approaches they plan to take in solving the issues such that the investors would have sufficient information for making their investment decisions, monitoring their investments, and having an overview of SRI fund management.

3.3 Disclosure of Information on Proxy Voting

Asset management companies shall disclose how the fund managers use corporate engagement, proxy voting, and shareholder proposals to achieve the mutual fund sustainability-related investment objectives. In this regard, the asset management companies shall disclose proxy voting records of the SRI fund with respect to its investee companies. This includes the details on exercises of voting rights and engagements and communications with the investee companies to improve their sustainability practices. The asset management companies shall disclose the set timeframes for engaging with the investee companies to follow up on the progress of their sustainability practices too. The disclosure should be made available on the asset management companies' websites to enable unitholders to check whether, and how, the asset management companies are committed to active stewardship and responsible investment.

Example of Greenwashing:

The asset management company does not disclose its full proxy voting record, and only provides highlights or commentary about specific votes that it has made as a shareholder of certain companies.

3.4 Mutual Fund Advertisements

To make investors aware of information on any SRI fund through any text, pictures, sound, signs or logos and regardless of any medium or tools through which it is made, asset management

⁵ For SRI funds under investment management through the impact investing strategy, asset management companies shall report positive outcomes from SRI fund management as specified in clause 3.1 (3.1.2).

companies must disclose information in a fair and balanced manner and consistent with the information disclosed in mutual fund documents.

Example of Greenwashing:

1. A mutual fund is marketed as an SRI fund, but while the fund manager of the mutual fund has access to ESG ratings and data, it does not take them into consideration in its investment process and only uses investment strategies that are similar to those used by non-ESG products;
2. The mutual fund's website shows the mutual fund's ESG ratings, identifying them to be on the high-end of an ESG performance scale and thus implying that the mutual fund has an ESG focus, but the mutual fund's name, investment objectives and strategies do not reference sustainability or ESG at all, and the fund manager of the mutual fund does not apply sustainability considerations on that particular mutual fund;
3. The mutual fund's advertising materials indicate that the mutual funds use corporate engagement, proxy voting and shareholder proposals to achieve its socially responsible investment objectives, but the mutual funds' prospectuses do not disclose these approaches in their investment strategies disclosures, and the summaries of the product's proxy voting policy disclosed in the mutual fund documents do not explain how proxy voting is used to meet their socially responsible investment objectives;
4. The asset management company advertises that the mutual fund is an 'Impact Investment Fund' but the mutual fund has not invest in securities issued by companies that generate positive environmental or social impacts. In fact, the mutual fund merely uses the negative screening investment strategy at a fundamental level.

Asset management companies must disclose the aforementioned information in the following documents:

Item of information	Documents
Clause 3.1 (1) – (5)	The mutual fund scheme and the mutual fund's prospectus <i>Note:</i> Except clause 3.1 (3.1.2) and (3.2) which shall be disclosed on the websites of asset management companies and in mutual fund's annual report (accounting period), as applicable.*
Clause 3.1 (1) – (2), Clause 3.1 (3.3.3) and Clause 3.1 (6)	Fact sheet
Clause 3.2	Semi-annual and annual report (accounting period). * <i>Note:</i> Except clause 3.2 (2), the <i>report on the management of mutual fund</i> shall be disclosed only in annual report of every accounting period. *
Clause 3.3	Annual report of every accounting period. *

***Note:** Asset management companies must disclose information through channels for submitting or disclosing such reports as prescribed in the Notification of the Office of the Securities and Exchange Commission Re: Rules, Conditions and Procedures for Management of Retail Funds, Mutual Funds for Accredited Investors, and Mutual Funds for Institutional Investors.
