



ESG – Invest for the Future?

In recent years, more and more responsible companies have included ESG elements in their corporate policies while investors have expected higher potential returns from companies with outstanding ESG scores. As sustainable investing is becoming the “new normal” in the financial industry, as early as November 2018, the MPFA issued a circular to encourage MPF trustees to consider integrating ESG factors into their decision-making process and disclosing their approach to MPF scheme members. In late 2021, the MPFA issued the “Principle for Adopting Sustainable Investing in the investment and Risk Management Process of MPF Funds” which laid down a high-level framework to help MPF trustees integrate ESG factors into the investment and risk management processes of MPF funds from financial risk management prospective and to make relevant disclosures to MPF scheme members.

Having developed and evolved for about 20 years, the importance of ESG investing gets higher and higher. In this issue we would talk about the past, present and future of ESG investing.

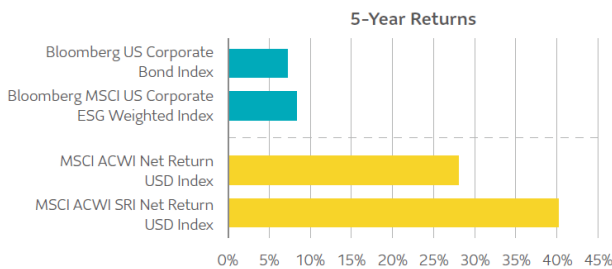
Past: From Investment Concept to New Normal

According to Wikipedia, the term ESG first appeared in the “Who Cares Wins” research report released by the United Nations in 2004, which mainly explained how to classify sustainable investment from three perspectives: Environment, Social and Governance. Since then, ESG investing has rapidly evolved from a concept to a new normal in just about 20 years.

At first, ESG investing was dominated by institutional investors. Most of their ESG investment strategies focused on risk management. Investment managers avoided investing in certain companies that polluted the environment, for example, so that they would not be affected in case when these companies faced huge fines by the government. They also avoided investing in companies with poor corporate governance. And overlooking the ESG performance may lead dropping corporate’s stock prices. For example, oil spill by energy companies and client’s data beach by social media platforms may have a negative impact on corporate image.

Individual investors were attracted to ESG investing as historical data showed that investment performances with ESG elements could actually improve. Since then, ESG investing has become popular.

Graph 1: Investments with ESG Elements Perform Well in the Long Run



Source: Bloomberg (as of 15 March 2023), Sun Life Asset Management (HK) Limited

Present: More Standards and Regulations

Global climate change could be one of the challenges of sustainability. According to the Climate Change Report released by United Nations, the globe could be suffered by catastrophic impact unless the greenhouse gas emissions reach the peak before 2025 and it is reduced by 43% by 2030. In recent years, various countries have actively firmed up their policies to reduce the omissions of carbon dioxide. As the result, ESG investments have recorded significant inflows of funding. According to Bloomberg’s information, the market anticipates that USD53 trillion will be invested in ESG related assets by 2024.

What people criticize most about ESG investing is the lack of standardized investment strategies and even standardized definitions of ESG. Some companies are accused of using ESG as an appeal to attract funding, i.e. green washing. Governments also step up to regulate ESG investing. They require investment companies to strengthen ESG disclosure and increase the transparency of related products.

Future: Low-carbon Investing as Breakthrough

We believe that the future development of ESG investment will go further. At present, investment companies generally incorporate ESG factors into their investment considerations. The trend for investment strategy would be more active. In addition to incorporating ESG considerations into the process of screening stocks, ESG investment managers could push for changes in ESG aspects by sitting on the board or voting in AGMs. By taking the lead in improving ESG, investment companies could strive for better investment returns. As government continues to fulfill their carbon reduction commitments, policies would still favor relevant companies and investments. Compared with different ESG scoring systems by different investment companies, low-carbon investment mainly obtains the carbon emission data publicly released by each company. The data and resulting score is more objective. Benefiting from government policies, its simple and direct characteristics, and its impact on improving environment, we expect low-carbon investment to stand out in the future.

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Mission & Vision

Representing the MPF Community - To act as the representative body for all MPF Scheme Sponsors and industry stakeholders in Hong Kong.

Providing thought leadership - To act as a consultative body in liaising with relevant policy makers and regulatory bodies on matters related to the development of the MPF system in Hong Kong.

Enhancing Trust in the system - To enhance the trust and confidence in the MPF industry by partnering with industry stakeholders to cultivate public awareness of MPF.

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ESG – 投資於未來？

近年，愈來愈多負責任的企業將ESG元素納入其經營政策內，而投資者更認為投資於獲優秀ESG評分的企業能帶來較佳的潛在回報。有見可持續投資漸漸成為投資業界的「新常態」，積金局早於2018年11月已向受託人發出通函鼓勵他們考慮將ESG因素納入其決策過程，並向計劃成員披露他們管理ESG風險的方法。在2021年底，積金局發布了「可持續投資應用於強積金基金的投資及風險管理過程的原則」，協助強積金受託人從金融風險管理角度，把環境、社會、管治因素納入強積金基金投資及風險管理過程中，並向強積金計劃成員作出相關披露。

ESG投資發展接近20年，不斷演變和進化，重要性其實愈來愈高。今期我們會探討ESG投資的過去、現在和將來。

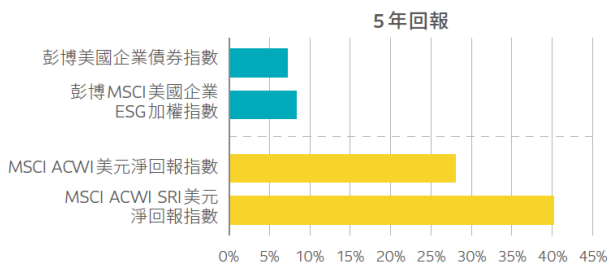
過去: 投資概念發展成新常態

根據維基百科，ESG一詞首見於聯合國在2004年發佈的《Who Cares Wins》研究報告，主要為投資者闡述如何透過環境、社會和管治三個角度對可持續投資進行分類。ESG投資在接近20年內由概念演進成為新常態，發展可謂一日千里。

ESG投資發展之初，主要由機構性投資者參與。他們的ESG投資策略大多以風險管理為主，例如投資經理會避免投資於某些污染環境的產業和企業，減低企業面對巨大罰款的風險；又或者避免投資於企業管治較差的公司，而忽略ESG表現有可能令企業股價下跌，例如能源公司的漏油事故、社交平台令用戶私隱資料外洩事件，亦為企業形象構成負面影響。

而往績顯示，包含ESG元素的投資表現更理想，吸引了個人投資者參與，普及程度大大提升。

圖表1：包含ESG元素長線投資表現理想



資料來源：彭博（截至2023年3月15日）、永明資產管理（香港）有限公司。

現在: 更多監管 更多規範

全球氣候變化作為可持續發展其中一項大挑戰，據聯合國發表的氣候變化報告，除非全球溫室氣體排放量在2025年前達到峰值，並在2030年之前減少43%，否則世界可能會遭受極端氣候影響。近年各國積極落實減碳政策，務求減少碳排放量，ESG投資因而獲得大量資金湧入。據彭博的資料，市場預期到2024年，ESG相關的資產將錄得53萬億美元流入。

ESG投資較為人詬病的是投資公司各自為政，在ESG策略上以至定義上都沒有一定的標準。有些公司被懷疑以ESG作招徠以吸納資金，即進行洗綠（Green Washing）。政府亦愈來愈規範ESG投資，著手加強投資公司在ESG方面的披露，以增加相關產品的透明度。

將來: 低碳投資可望突圍

我們相信，未來的ESG投資發展會更進一步。現時，投資公司普遍已經將ESG因素納入投資決策中。而ESG投資策略的趨勢是更積極參與。除了在篩選股份的過程中加入ESG考量，ESG投資經理可能會加入企業董事局或透過參與股東大會投票以更實在地令公司改善ESG，並從中獲得最佳的投資收益。各國政府繼續實踐減碳承諾，政策上仍然會傾斜相關企業和投資。相對於投資公司的ESG評分制度各有不同，低碳投資主要參考每間企業公開公佈的碳排放數據，數據較為客觀。受惠政府政策、投資簡單直接並對環境具實質影響，我們預期低碳投資在未來可望突圍而出。

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PENSION SCHEMES ASSOCIATION
退休積金計劃協會

專家觀點
2023年5月

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