

Adding ESG elements in MPF to follow the investment trend



When thinking about our investments, including those made within the MPF system, most people tend to focus on financial factors such as risk and return. However, in recent years, investors in other parts of the world, including Europe and the United States, are increasingly considering other factors too, namely those which bring a positive impact and contribution to the world. This approach is gaining market recognition and is being embraced by institutional investors. In Hong Kong too, many people are starting to express the view that these concepts should be introduced into the MPF system, thereby providing members with more investment choice.

What is ESG?

Environmental, **S**ocial and **G**overnance (ESG) is one of the emerging investment concepts that has become of increasing interest to investors.

ESG covers three areas: (i) Environmental aspects, involving popular issues such as climate change, depletion of natural resources and carbon neutrality. (ii) Social factors, measuring whether an enterprise respects social values. For companies that make a negative impact on the physical or mental health of the public, or ignore animal rights, they will have an unsatisfactory social score. (iii) Governance factors covering issues such as board composition and the effectiveness of a company's governance framework.

ESG Scores Influence Investor Decisions

Nowadays, many ESG ratings platforms, are available, such as MSCI, Asset4 and Sustainalytics. The scoring criteria cover all three factors. For example, a renewable energy company is likely to have a better

environmental score, as a result of its contribution in reducing carbon emissions. However, the overall ESG score could still be pulled down in the absence of an effective corporate management policy. In some countries, it is a requirement for companies to publish their ESG progress in their annual reports.

Many investment managers and asset owners now incorporate ESG into their decision-making processes, taking into account the ESG scores of different companies to help them make appropriate investment decisions. Fund managers are now tending to increase the weighting to companies with higher ESG scores, and some managers have created specialist "ESG funds" that only invest in companies with high ESG scores.

ESG investing can create better returns

Investors' increasing awareness of social responsibility is one of the reasons why there is increasing interest in, and demand for, ESG investments. Investors hope to promote and advocate various social issues through different methods, such as investing in environmental technology companies to conducting research and development into new products.

It is worth noting that ESG investing can also bring attractive returns to investors, because some quality businesses with high ESG ratings also have other attributes, such as appreciation potential. If so, these companies can often bring better returns to investors and shareholders. As an example, the MSCI Global Index increased by 22.4% in 2021, while the MSCI Global ESG Leaders Index, which only includes companies with relatively high ESG scores, increased by 25.3% over the same period.

Integrating ESG into the MPF system

Over the last decade, the amount invested in green bonds and ESG-related funds within the MPF system has soared from HK\$ 155 million in 2011 to HK\$ 13.9 billion in 2021. The MPF Symposium held in November 2021 included a session on digital transformation and the future of sustainable investments. In addition, the MPFA issued "Principles for Adopting Sustainable Investing in the Investment and Risk Management Processes of MPF Funds". The purpose of this set of guiding principles is to

formulate a management processes of MPF funds from a financial risk management perspective, and to make relevant disclosures to MPF scheme members. The framework cover four elements - governance, strategy, risk management and disclosure. From December 2022 onwards, MPF providers are required to disclose their progress on ESG integration in the MPF schemes' annual consolidated reports.

We can see that the MPFA is strengthening ESG elements from both an investment and a risk management perspective, whilst at the same time MPF providers are starting to include more ESG themes

within their investment portfolios. Members would be encouraged to familiarize themselves with ESG principles and broaden their scope for future investing.

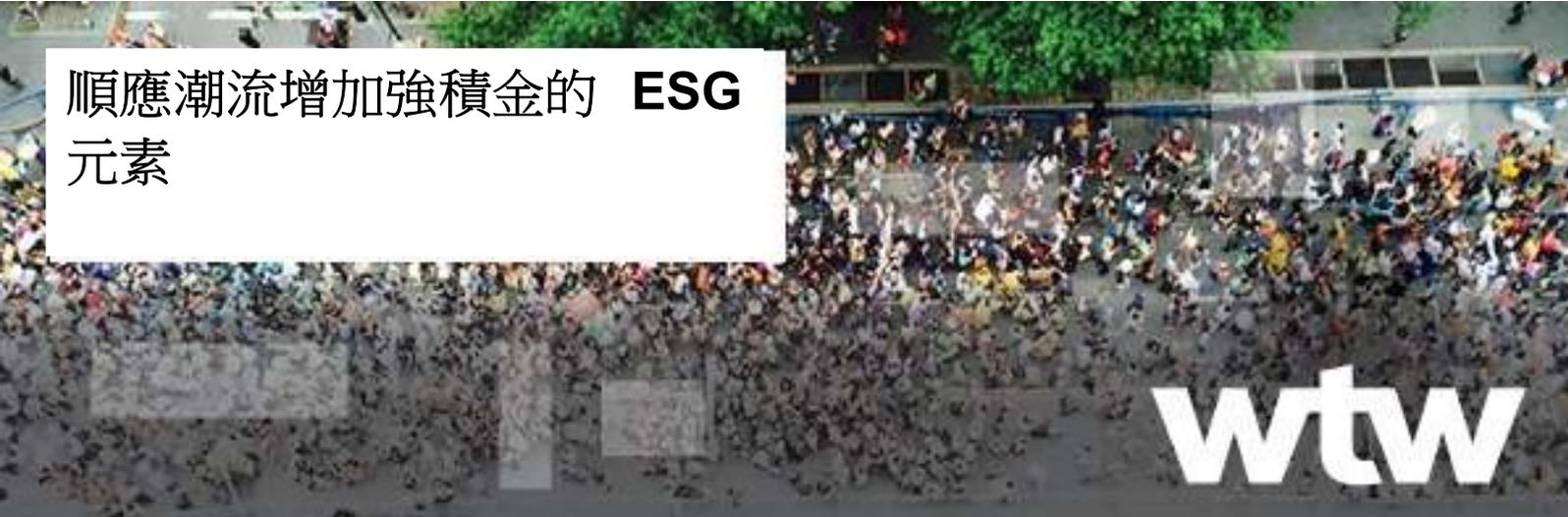
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順應潮流增加強積金的 ESG 元素



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於強積金或其他傳統投資過程中，大眾往往只會著眼於風險與回報等金融因素。然而，近年歐美等地的投資趨勢會考慮更多其他元素，尤其是如何透過投資為世界及社會帶來正面影響及貢獻。這類投資概念得到越來越多的市場認同及機構投資者的重視，而在香港，也開始有不少聲音應該建議引進該類概念到強積金之中，為成員提供更多投資選項。

什麼是 ESG?

環境、社會及管治(Environmental, Social and Governance, 簡稱 ESG)正是上述的新興投資概念中最得到投資者的重視。

ESG 涵蓋三個範疇：環境方面，涉及大家熟悉的氣候變化、天然資源流失、碳中和等議題。社會方面，則考慮企業是否尊重社會價值，例如對市民身心健康有負面影響或妄顧動物權益的企業會被視為在這方面有較弱的表現。管理方面，包含董事會架構及多元化、治理成效等。

ESG 評分影響投資者的決定

現時，有多個平台會為不同公司的 ESG 評分，如 MSCI, Asset4 及 Sustainalytics。評分要求三個方面都要顧及到。假設，一個能夠減少碳排放的再生能源企業，環境方面的評分應該不錯，但如缺乏完善的企業管理，整體 ESG 評分便會被拉低。部份企業會在年報中公佈 ESG 實踐狀況。

不少基金公司都會將 ESG 納入投資決策流程，參考不同企業的 ESG 評分作出最合適的投資決策，包括增加基金比重於 ESG 評分較高的企業上。有基金經理更打造只投資於有高 ESG 評分的企業，成為所謂的 ESG 基金。

ESG 投資能獲取優異回報

投資界對 ESG 投資趨之若鶩，其中一個原因是對社會的責任，希望透過不同方式推動減排及倡議各類社會議題，例如透過投資支持環保科技企業進行研究以及量產產品。

值得注意的是，ESG 本身也能為投資者帶來優異回報，因為投資者大多相信，ESG 表現較好的企業，未來升值潛能會越高，意即可為投資者及股東帶來更佳回報。以 2021 年為例，MSCI 全球指數上升 22.4%，而 MSCI 全球 ESG 領導者指數（即只包含擁有相對高 ESG 評分的企業）同期上升 25.3%。

ESG 正融入強積金體系

過去十年，強積金投資於綠色債券及 ESG 相關基金的投資金額，由 2011 年的 1.55 億倍增至 2021 年的 139 億。積金局於 2021 年 11 月舉行的研討會中，亦有探討數碼轉型及可持續投資前路。同時積金局發佈了「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」，從財務風險管理的角度制定可持續投資的發展策略及作出相關披露，當中涵蓋管治、策略、風險管理及披露四個主要範疇。由 2022 年 12 月起，強積金受託人需要於基金年報中披露 ESG 投資的融入進展。

我們可以預見，強積金未來於投資及風險管理方面，將會加強 ESG 元素，甚至出現 ESG 為主題的基金。大家可以在現階段增加對 ESG 的認識，擴闊未來的