



ESG investing and retirement

Environmental, social and governance ("ESG") investing is gaining popularity as one type of investment strategy. Today, ESG factors are not only integrated into Hong Kong's retail investment funds, but also retirement funds.

What does it mean for Mandatory Provident Fund ("MPF") scheme members? Let's find out.

How much do you know about ESG investing?

ESG investing is the incorporation of environmental, social and governance factors into the selection and management of investments in order to understand the true value of an investment, mitigating risk, and identifying new opportunities.

What does ESG stand for? The factors that may be relevant to investors



Environmental

From stronger typhoons to rising rainfall and higher air-conditioning costs amid hot temperatures, climate change affects people's lives as well as businesses. Factors like water contamination and air pollution demonstrate how a company's operations can impact the natural environment and vice versa – for instance, water scarcity affecting a food and beverage company.



Social

With an aging population and more women joining the workforce, how can companies support social issues such as better healthcare and retirement solutions, as well as protecting employee welfare and promoting gender equality? Social factors have to do with the relationship between a company and its employees, consumers, suppliers, and communities – all relevant to building stronger customer loyalty and business reputation.



Governance

Whether it's a family business or a large conglomerate, governance factors relate to the structures or systems put in place to ensure company management is effective. Issues most relevant to investors include the makeup and oversight of the board of directors, executive compensation, capital management, dividend pay-outs, and mergers and acquisitions.

The benefits of ESG investing

ESG-focused companies tend to perform better in terms of operational efficiency, cost savings, reducing employee turnover, innovation, retaining talents, reducing compliance costs and risk management — all of which should potentially help increase shareholder value¹. What's more, ESG investing may deliver outperformance over the longer term.

Looking at the 5-year and 10-year market performances (as of October 31, 2023), the three global ESG indices have also outperformed the parent indices

Performance of global ESG indices versus parent indices

Indices	Annualised gross returns	
	5 years	10 years
ESG index: MSCI All Country World Index (ACWI) ESG Universal	8.62%	7.72%
Parent index: MSCI All Country World Index (ACWI)	8.00%	7.36%

Indices	Annualised gross returns	
	5 years	10 years
ESG index: MSCI World Socially Responsible Investment (SRI) Index	10.56%	8.93%
Parent index: MSCI World Index	8.82%	8.11%

Indices	Annualised gross returns	
	5 years	10 years
ESG index: MSCI World ESG Leaders Index	9.46%	8.14%
Parent index: MSCI World Index	8.82%	8.11%

Source: MSCI, data as of October 31, 2023. Returns in USD. It is not possible to invest directly in an index. Past performance is not indicative of future performance.

Why is ESG important for MPF scheme members?

ESG factors may have a direct and, potentially substantial, financial impact on the accrued benefits of MPF scheme members, particularly over the longer term². Investing in companies with good ESG practices may provide an additional layer of risk management, given their relatively stronger governance practices and better business ethics. **Greater portfolio resilience can also mean a potentially higher chance of creating long-term value on your investments. This is crucial as the investment time frame for MPFs can be as long as 40 years.**

Source: Manulife Investment Management

1. Source: NYU Stern, *ESG and Financial Performance: Uncovering the Relationship by Aggregating Evidence from 1,000 Plus Studies*. Published between 2015 – 2020
2. Source: Mandatory Provident Fund Schemes Authority "Principles for Adopting Sustainable Investing in the Investment and Risk Management Processes of MPF Funds", November 26, 2021

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Investment involves risks. Before making any investment choices, you should consider the scope and the service level offered by the scheme trustee and relevant service provider, whether fund choices are sufficient enough and suit your investment needs, and the related fees and charges. You should also consider your own risk tolerance level and financial circumstances. Investment loss or gain may be incurred when transferring accrued benefits to/from other provider(s). Please refer to the MPF Scheme Brochure and Key Scheme Information Document for details including risk factors, fees and charges of the scheme.

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PENSION SCHEMES ASSOCIATION
退休積金計劃協會

Expert's View
November 2023

About Pension Schemes Association

Pension Schemes Association (the "PSA") was established in February 2018. As the most prominent MPF sponsor association in the industry, the PSA assumes the bridging role among stakeholders as to ensure our MPF system can fulfil public and industry interests, and acts 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.

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投資與退休

環境、社會及企業管治（「ESG」）投資日趨普及，現已成為一種投資策略。時至今日，ESG因素不僅應用至香港的零售投資基金，同時亦應用至退休基金。

這對強制性公積金（「強積金」）計劃成員有何意義？下文將逐一剖析。

何謂ESG投資？

ESG投資是指將環境、社會及企業管治（ESG）因素納入投資篩選及管理流程以了解相關投資的真正價值、降低風險及發掘新機會。

ESG代表甚麼？可能與投資者有關的因素



環境

從颱風威力更強到降雨量增加，以及高溫天氣下冷氣費上升，氣候變化對民生以至企業均帶來影響。水污染及空氣污染等因素反映公司的業務運作與自然環境如何互相影響：例如，水資源短缺會影響食品及飲品公司的運作。



社會

面對人口老化問題，加上越來越多女性加入勞工市場，企業如何在完善醫療保健、退休方案、員工福利以及性別平等措施方面，為社會提供支持？社會因素是指公司與其員工、消費者、供應商及社區之間的關係，與建立更穩固的客戶忠誠度和商業聲譽息息相關。



企業管治

無論是家族企業抑或大型綜合企業，企業管治因素都與結構或系統有關，以確保公司管理層的成效。與投資者最切身的議題包括董事會的組成及監督、行政人員薪酬、資本管理、股息支付，以及併購活動。

ESG投資的優勢

ESG為本的企業在營運效率、節省成本、減少員工流失、創新、挽留人才、降低合規成本和風險管理方面通常表現較佳，有機會幫助提升股東利益¹。此外，ESG投資的長線表現較佳。

根據五年期及十年期的市場表現（截至2023年10月31日）顯示，三項環球ESG指數的表現均優於其母指數。

環球ESG指數相對母指數的表現

指數	年度化總回報	
	5年	10年
ESG指數: MSCI明晟ACWI ESG 通用指數	8.62%	7.72%
母指數: MSCI明晟ACWI指數	8.00%	7.36%

指數	年度化總回報	
	5年	10年
ESG指數: MSCI明晟世界SRI指數	10.56%	8.93%
母指數: MSCI明晟世界指數	8.82%	8.11%

指數	年度化總回報	
	5年	10年
ESG指數: MSCI明晟世界ESG領袖指數	9.46%	8.14%
母指數: MSCI明晟世界指數	8.82%	8.11%

資料來源: MSCI。數據截至2023年10月31日。回報以美元計算，投資者不可直接投資於指數。過去表現並不代表未來業績。

為何ESG對強積金計劃成員如此重要？

ESG因素對強積金計劃成員的累算權益可能產生直接及可能重大的財務影響，從長遠來看尤其明顯²。妥善實踐ESG的公司具備相對較強的管治實務措施和較佳的商業道德，因此投資於這些公司有機會提供多一重風險管理保障。投資組合具有較強韌性，亦代表其有較大機會創造長期投資價值。這點至關重要，畢竟強積金的投資期可能長達40年。

資料來源: 宏利投資管理

1. 資料來源: 美國紐約大學史登商學院, *ESG and Financial Performance: Uncovering the Relationship by Aggregating Evidence from 1,000 Plus Studies Published between 2015 – 2020*。(只提供英文版本)

2. 資料來源: 強制性公積金計劃管理局, 「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」, 2021年11月26日。(只提供英文版本)

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PENSION SCHEMES ASSOCIATION
退休積金計劃協會

專家觀點
2023年11月

有關退休積金計劃協會

退休積金計劃協會成立於2018年2月，作為最具代表性的強積金保薦人業界組織，協會積極發揮橋樑角色，與各持份者和業界共同努力，令香港強積金制度更貼近市民所想及業界所需，並就與香港強積金制度發展有關的事宜匯納業界意見，成就與有關政策制定者及監管機構進行溝通。

使命與信念

強積金業界橋樑 - 成為全港強積金計劃保薦人及業界持份者的代表機構。

帶領諮詢平台 - 就與香港強積金制度發展有關的事宜匯納業界意見，成就與有關政策制定者及監管機構進行溝通。

增強公眾信任 - 與業界及相關合作伙伴攜手，提高公眾對強積金的認識，從而加強公眾對強積金行業的信任及信心。

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