RIB Theme-based Research Seminar: Theme 4 – Ethics and Sustainability

Understanding ESG data for your research

The Research Centre for ESG (CESG) and Research Institute for Business (RIB) are pleased to jointly organize this research seminar to introduce ESG data and its applications. Under the IDS funding (project #: UGC/IDS(R)14/21), the CESG acquired ESG related data including MSCI, SynTao Green Finance, and RavenPack.

This seminar will introduce how these data can be used for research. Also, representatives from commercial data providers will introduce their data and be available for Q&A.

We welcome academic and industry researchers who want to know more about ESG data and examples of how CESG employs these data to create useful ESG intelligence at firm level for further research.
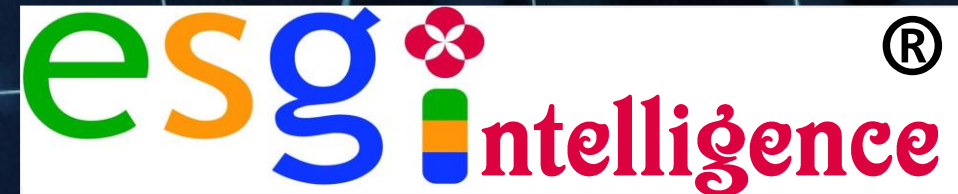
HSUHK CESG x RIB Workshop:
Understanding ESG Data for Your Research

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Director of Research Centre for ESG and Research
Institute for Business, HSUHK

https://www.myesgi.com/
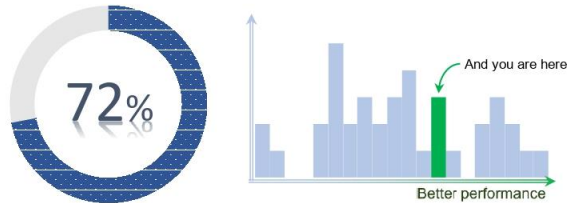
ABC GROUP HOLDING LIMITED

As one of the largest corporations in China's apparel industry, ABC has adhered to the best practice of achieving sustainability. In recent years, ABC has made remarkable results in ESG.

AWARD HIGHLIGHT

We are proud to confer ABC the status of "High ESG Achiever" based on the classification scheme from myesgi.com.

GENERAL INFORMATION

Ticker: xxxx.HK

Sector: Consumer Discretionary

Industry: Apparel
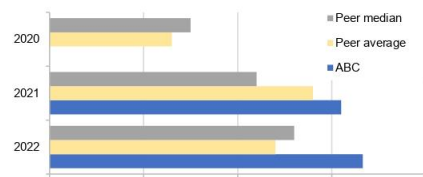
Market Cap: Large

Website:

www.abcxyz.com

Peer-based ESG Ranking

- For the participation year, ABC is surpassing 72% of your peers!

72%

And you are here

Better performance

E, S, G sub-score peer performance

- Below is where you at among your peers E, S, and G performance:

Environmental 70%

Social 77%

Governance 42%
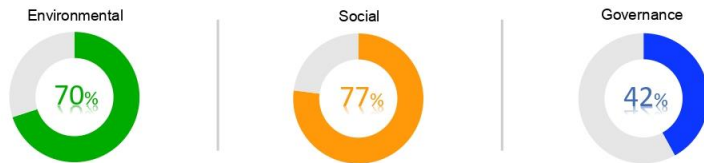
Historical performance tracking

- Below is the past years iScore trading history with your peers:

Peer median
Peer average
ABC

2020
2021
2022

Divergence* effect

- ABC's divergence level among all companies in the iScore universe is:

15%

* The level of divergence of the ESG ratings represents the company's reporting quality and information transparency, revealing whether the firm has a solid ESG performance despite of the diverse opinions among data providers' valuations. We take the view that the lower the divergence, the less the uncertainty in ESG information provided by the firm should be.

Overview

Based upon GICS classification, ABC belongs to the consumer discretionary sector and is in the apparel industry. The iScore universe covers more than 60 firms from around 400 firms in this sector listed on HKEx. The 2022 sector ESG iScore average is 2.43, ranking 5th among the 11 sector averages, which ranges from 2.32 to 3.25. As one of the largest corporations in China's apparel industry, ABC has adhered to the best practice of achieving sustainability. In recent years, ABC has made remarkable results in ESG. More firm level analysis is provided in the following page.

Performance Highlights

iScore

In general, ABC has shown an impressive performance in ESG. According to our tracking records, ABC's iScore has been above the industry median and the iScore universe grand median for two consecutive years, reaching 3.33 and 3.10 in 2021 and 2022 respectively. In this participation year, ABC's overall ESG performance based on the peer-based ranking is at 72 percentile in the iScore universe.

Pillar Performance

More specifically, ABC's pillar iScores are at 70 percentile for E, 77 percentile for S, and 42 percentile for G. Given these figures, the firm achieves high rankings in E and S, but the G ranking is below the sector median. Among all three pillars, S has the best performance relatively, followed by E and then G. Given limited resources, the firm should consider reallocating budget and efforts to strengthen the E and G pillars to maximize the overall ESG rating.

Divergence Effect

The level of divergence of the ESG ratings represents the company's reporting quality and information transparency, revealing whether the firm has a solid ESG performance despite of the diverse opinions among data providers' valuations. We take the view that the lower the divergence, the less the uncertainty in ESG information provided by the firm should be.

ABC's divergence level in the iScore universe is at 15 percentile, indicating that the uncertainty of ESG information provided by the firm is relatively low. Therefore, the ESG data providers are able to assess the ESG performance in a more congruent manner.

Recognition

In conclusion, based on the classification scheme from myesgi.com and judging from the overall ESG achievement, we are proud to confer ABC the status of "High ESG Achiever".

Sentiment

Overall, our analysis shows that ABC has a net positive sentiment based on media coverage of sustainability and keywords related to E and S pillars. Theoretically, the sentiment score ranges between -1 (negative) and +1 (positive), which reflects how professionals perceive the ESG information from the media coverage in a given period.

To be specific, ABC's sustainability average sentiment reaches 0.12 (a rating of p2 at the level of "very satisfactory"), and the E and S pillars' sentiments arrive at 0.17 (a rating of p2 at the level of "very satisfactory") and 0.14 (a rating of p1 at the level of "satisfactory") during the period of Jan 2022 to Mar 2023.

All three sentiment measures are positive with a rating combination of p2, p2, p1. Based on the classification scheme from myesgi.com, ABC's overall ESG sentiment is very satisfactory.

Using ESG Performance Rating and Sentiment Data to Measure ESG Intelligence. Our visualization reflects i-Score universe as the z-axis with RavenPack sustainability sentiment score (RP Sustain Net Senti) as the x-axis, and the YoujiVest net ESG score (YJV ESG Net Senti) as the y-axis.

2022 i-Score vs Peers Performance based on GICS1 Industry Classification

GICS1, i-Score_or_not
- Industrials, i-Score
- Industrials, Peers
- Utilities, i-Score
- Utilities, Peers
- Real Estate, i-Score
- Real Estate, Peers
- Financials, i-Score
- Financials, Peers
- Communication Services, i-Score
- Communication Services, Peers
- Health Care, i-Score
- Health Care, Peers
- Consumer Discretionary, i-Score
- Consumer Discretionary, Peers
- Consumer Staples, i-Score
- Consumer Staples, Peers
- Information Technology, i-Score
- Information Technology, Peers
- Materials, i-Score
- Materials, Peers
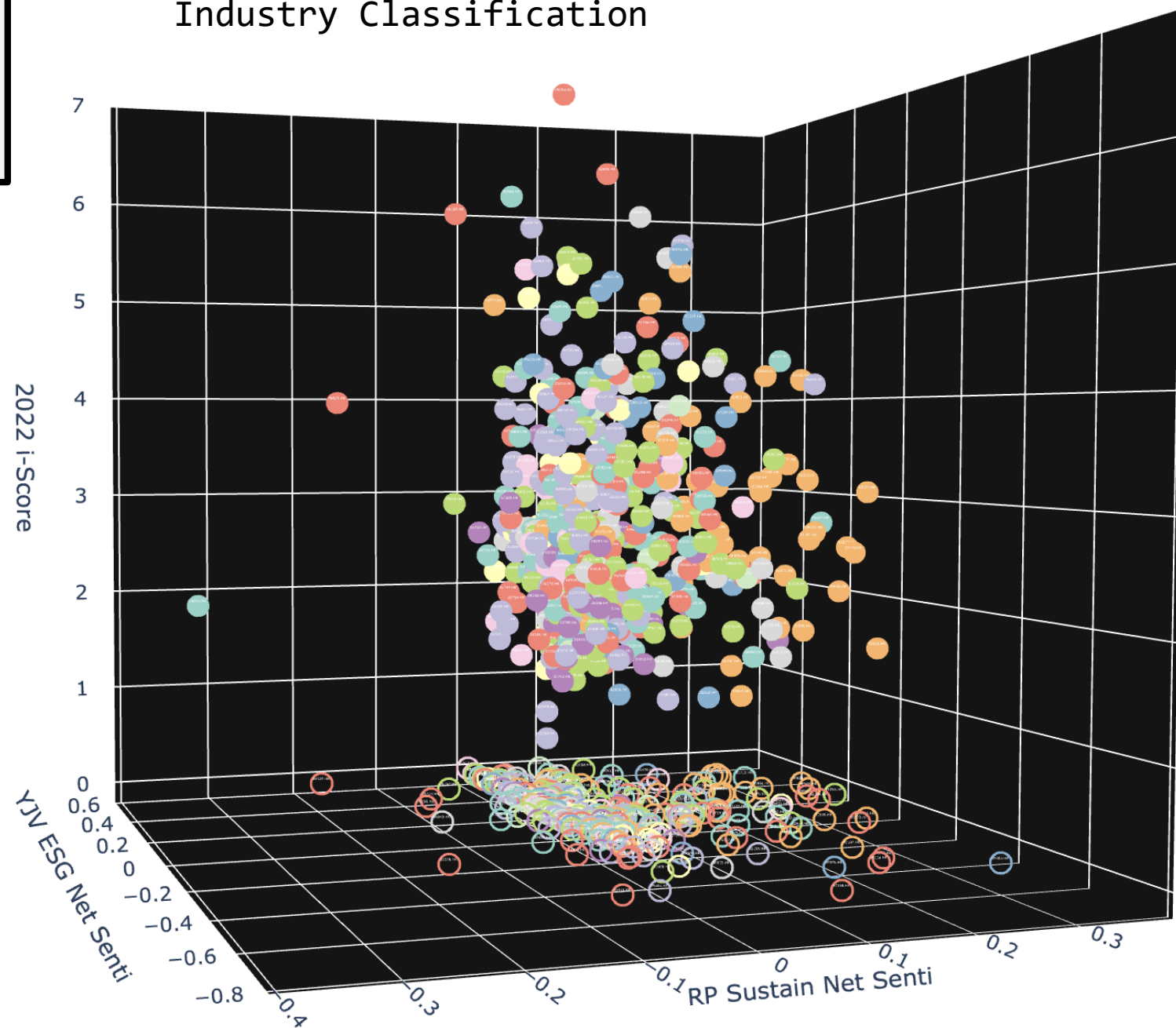- Energy, i-Score
- Energy, Peers

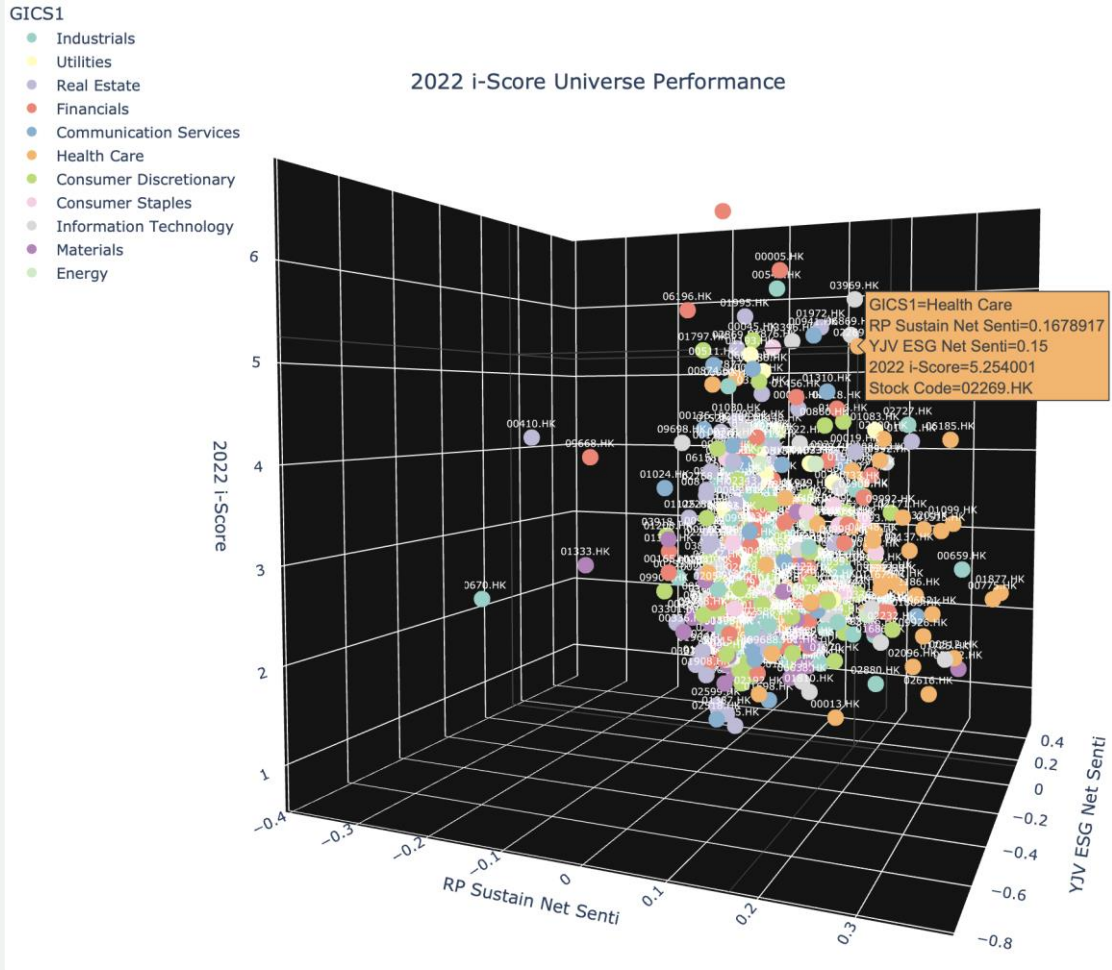## Figure 1A.i-Score Entity 02269.HK's Performance

Figure 1A implies most of 2022 i-Score entities lie in the positive zone of RavenPack sustainability sentiment average score and YoujiVest net ESG score. In addition, we showcase stock (02269) which has superior performance in all three dimensions.

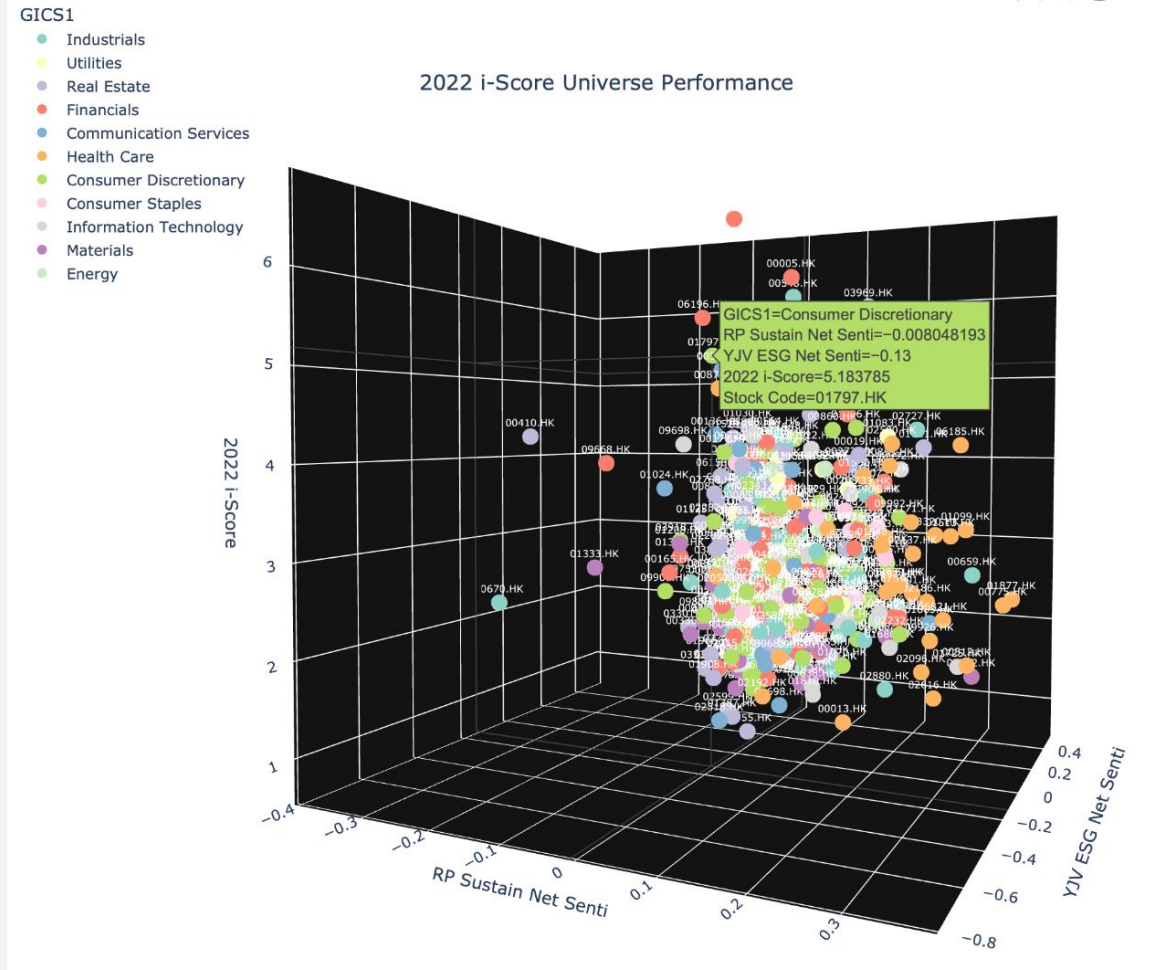## Figure1B.i-Score Entity 01797.HK's Performance

Figure 1B shows the i-Score universe with the same format for the three dimensions. However, we choose stock (01797) to reflect that high i-Score performance does not always mean better sentiment performance.

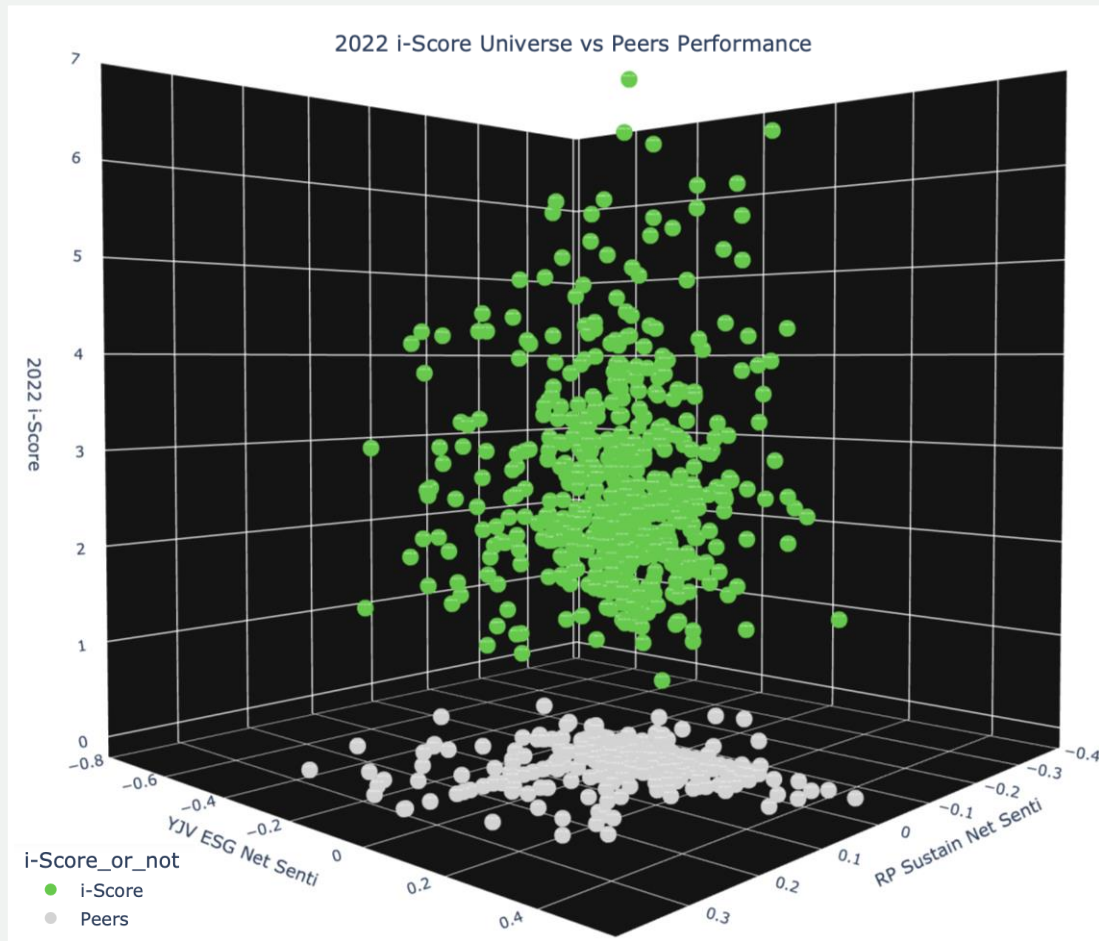## Figure 2A.2022 i-Score Universe vs Peers Performance

Figure 2A shows the 2022 i-Score universe entities' (green circles, **511** entities) and 2022 non i-Score entities' (peer entities which mkt cap>HKD2bn at the end of 2022, gray circles, **334** entities).

Figure 2B.2022 i-Score Universe vs Peers Performance-Top Angle
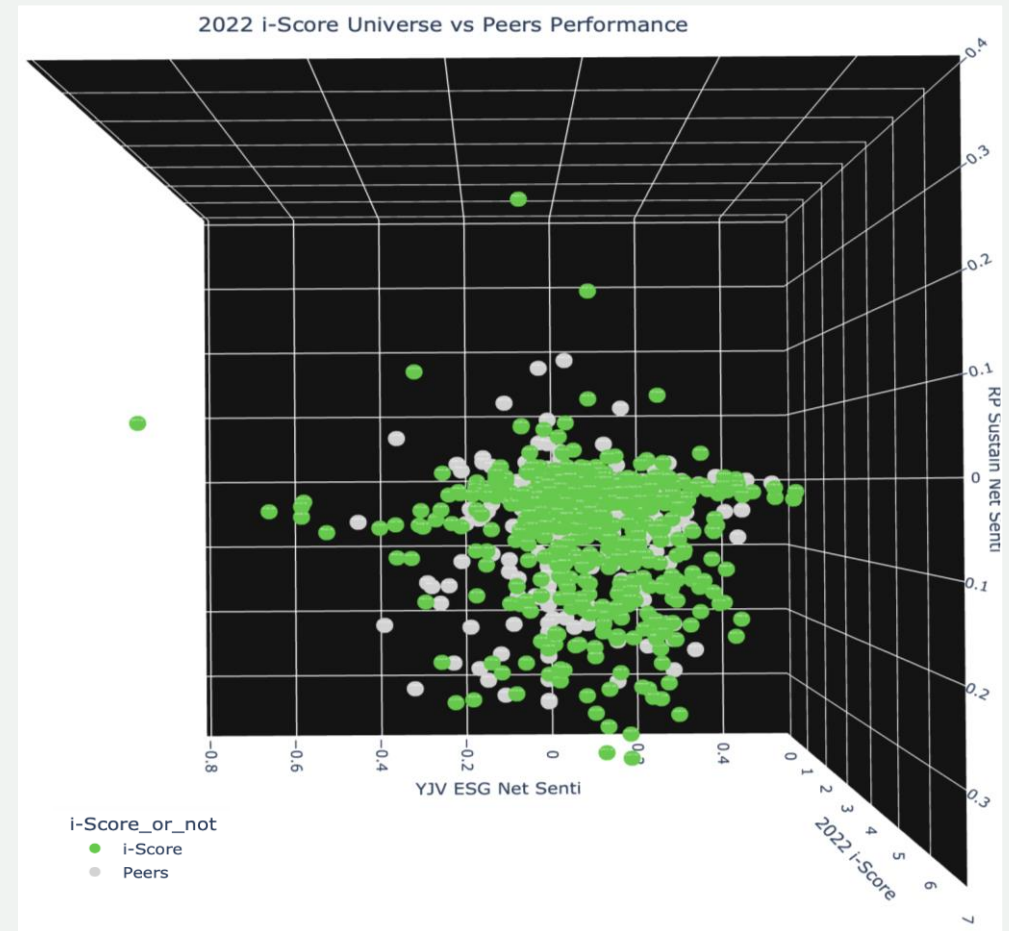

Figure 2B shows i-Score entitles in green circles and non i-Score entities are overlapping, indicating that there are no significant differences between the two groups of firms, in terms of sentiment performance.

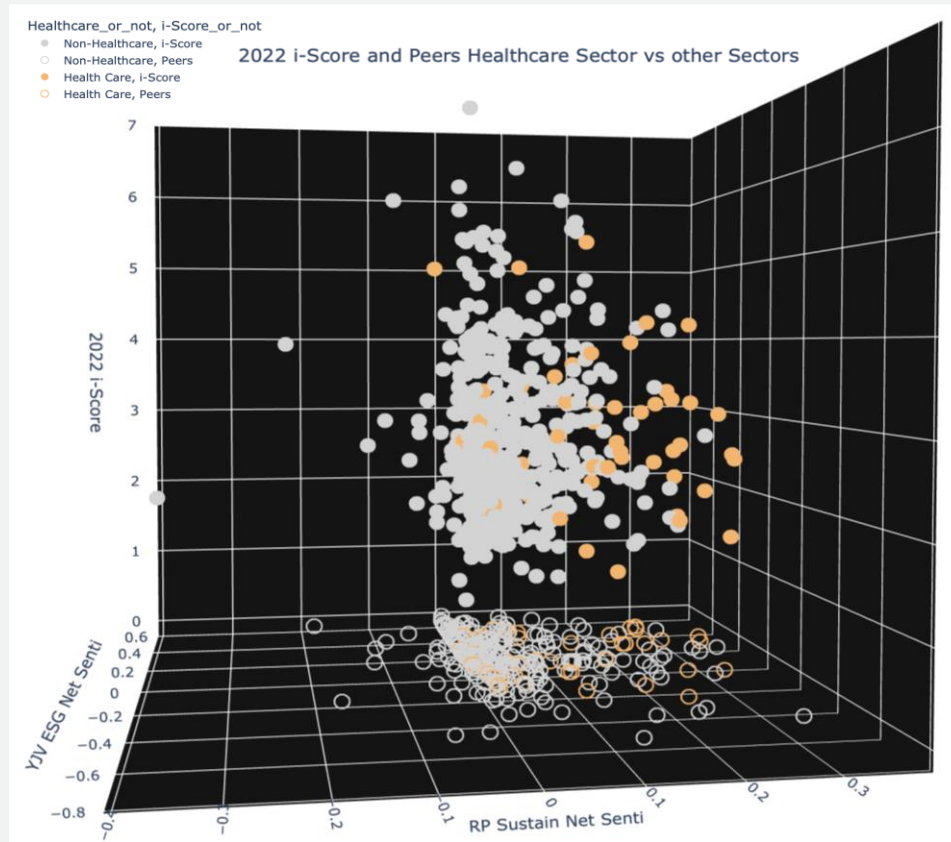Figure3A.2022 i-Score vs Peers Average Performance Distribution in GICS1

Figure3B.2022 i-Score vs Peers Average Performance Distribution in GICS1

Figure 3A shows the 2022 i-Score universe entities' (circles, **511** entities) and 2022 non i-Score entities' (peer entities which mkt cap>HKD2bn at the end of 2022, hollow circles, **334** entities) health care sector performance distribution vs other sectors performance distribution. Figure 3A shows that almost all of health care sector entities lie in the positive zone of RavenPack sustainability sentiment average score no matter they belong to i-Score universe or non i-Score universe, health care sector generally better than the average performance of all sectors' sentiment scores.
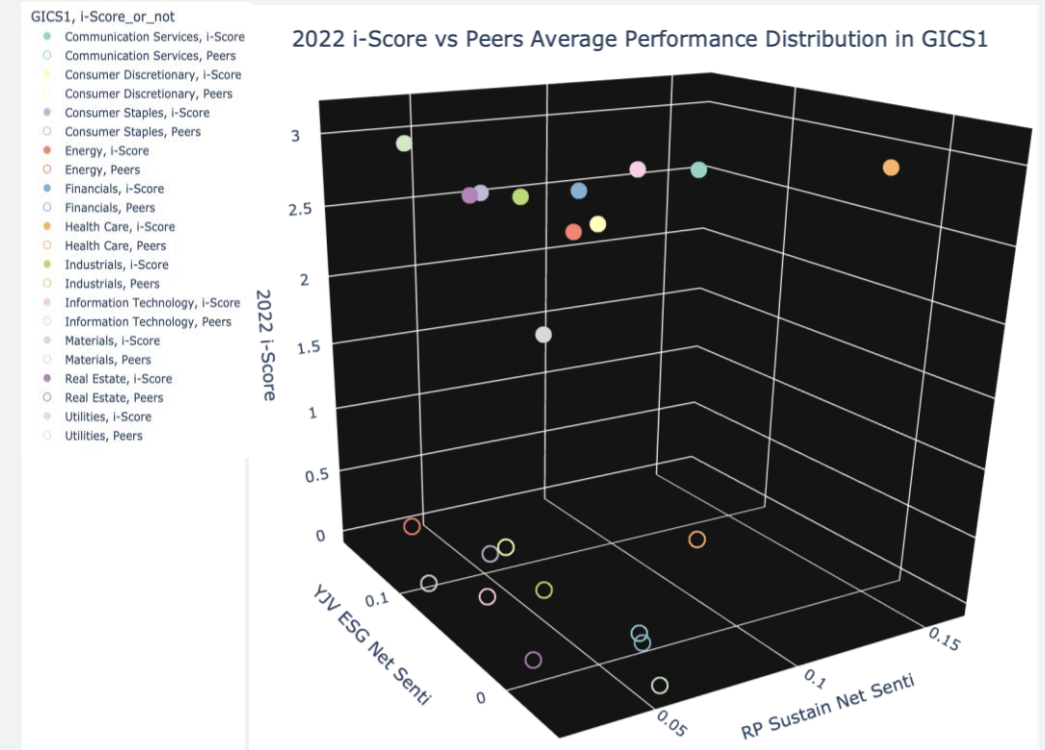
Figure 3B shows the 2022 i-Score universe entities' (circles colored by 11 different GICS1 sectors) sector-average performance distribution including i-Score and non i-Score entities' (peer entities which mkt cap>2bnHKD at the end of 2022, hollow circles colored by 11 different GICS1 sectors). Figure3B implies that the sector-average performance of **health care sector (the orange circle and the orange hollow-circle)** is obviously better than other sectors in RavenPack sustainability sentiment average score and YoujiVest net ESG score. On the other hand, the sector-average performance of **materials sector (the gray circle and the gray hollow circle)** and **real estate sector (the purple circle and the purple hollow circle)** are obviously worse than other sectors in RavenPack sustainability sentiment and YoujiVest net ESG sentiment.

Figure 3C shows the 2022 i-Score universe entities' (circles colored by 3 different market cap groups, **511 entities**) performance distribution including i-Score and 2022 non i-Score entities' (peer entities which mkt cap>HKD 2bn at the end of 2022, hollow circles colored by 3 different market cap groups, **334** entities).

(Large-cap entities are market cap larger than HKD100 billion, mid-cap entities are market cap lies in between HKD 10 billion to HKD 100 billion, and small-cap entities are market cap smaller than HKD 10 billion.)

Figure 3C reflects that i-Score covers most of the large-cap entities. These large-cap entities are more condense in the positive zones of RavenPack sustainability net sentiment and YoujiVest ESG net sentiment score than mid-cap and small-cap entities. In addition, the percentage of small-cap entities lie in the negative zone of RavenPack sentiment and YoujiVest sentiment is higher than those under large-caps and mid-caps.
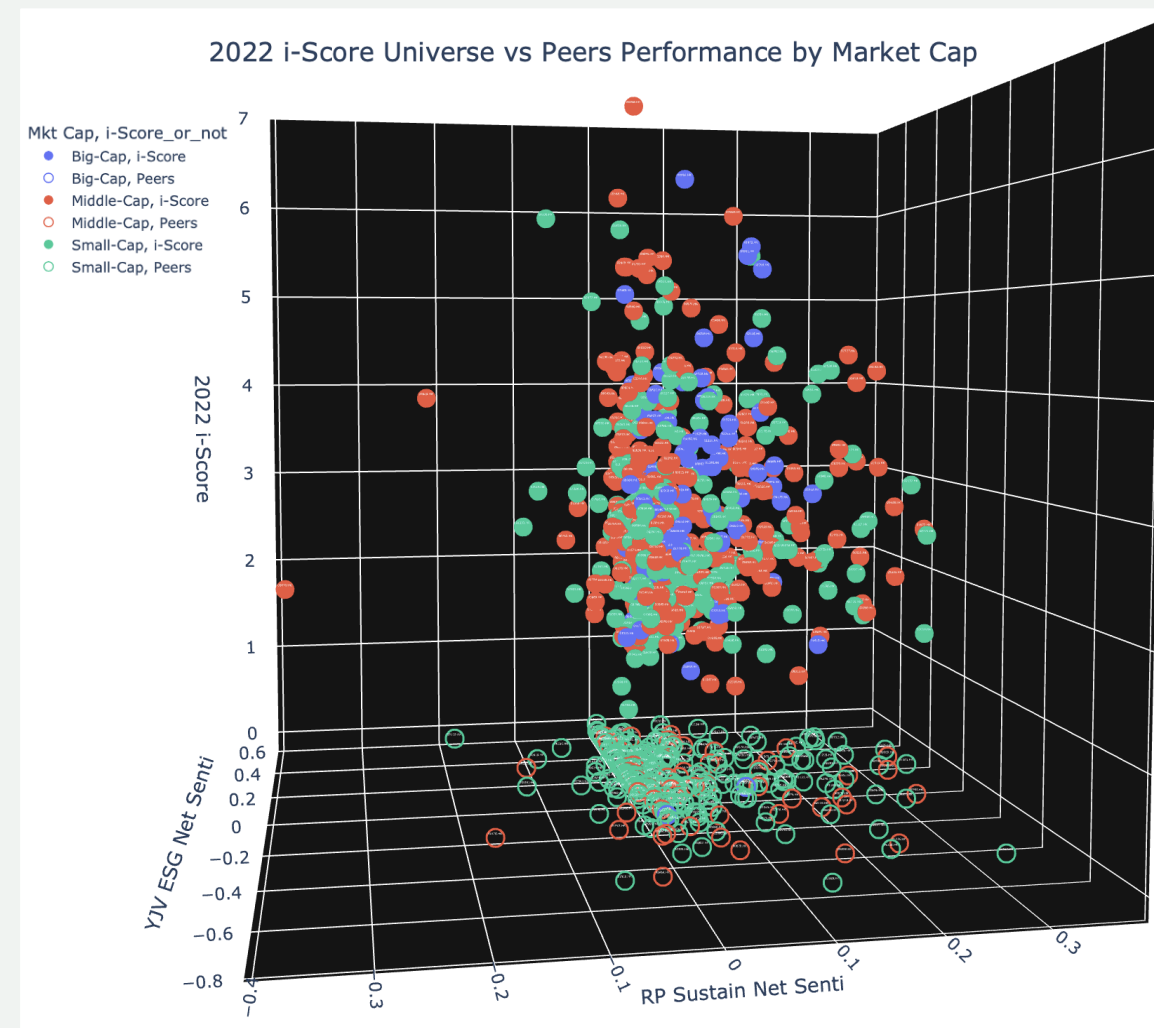
Panel discussion

Prof. Louis Cheng	MSCI	有機數	CSMAR	商道融绿 SynTao Green Finance
Prof. Louis Cheng Moderator	Jakub Malich VP, ESG Research Sophia Cheng Senior Associate	Vivi Hu CEO	Zhongyan Zhang Senior Researcher Data Tech	Jiangyu Ji ESG Research Manager (Zoom in)

Evaluation Form

Thank you for your attending

Please scan QR code for evaluation form