

## Session 1: Opening Remarks



# How to Use the ESGi-Composite Scorecard to Generate Intelligence for Investment Analysis

10:45-11:15am

- Dr S H Ho Professor of Banking and Finance since 2021
- Directors of Research Centre for ESG (CESG) and Research Institute for Business (RIB)
- Member of the Hospital Governing Committee of Ruttonjee & Tang Shiu Kin Hospitals (2023-26)
- Business Studies Assessment Panel member for Competitive Research Funding Schemes (Self-financing sector) of the RGC (2022-26)
- Member of the Investment Committee of the Hospital Authority Provident Fund Scheme (2016-22)
- Advisor for Bhutan's Green Bond initiative and consultant of United Nations
- Professor of Finance (2010-20) & Director of the Center for Economic Sustainability and Entrepreneurial Finance (CESEF) (2018-20), PolyU
- Council member & Trustee of the Pension Fund of the PolyU (2011-13)
- Member of the Examination Board of the Institute of Financial Planners of Hong Kong
- Served as a project consultant for various organizations including:
  - Securities and Futures Commission (SFC), Mandatory Provident Fund Scheme Authority (MPFA), Hong Kong Exchanges (HKEx), Investor Education Centre (IEC)
  - Bank of China (HK) Private Banking, Agricultural Bank of China (HK) Private Banking, Value Partners, Fubon Bank, Bank Consortium Trust Hong Kong, Charles Schwab (US)



**Prof. Louis Cheng**

**Dr S H Ho Professor of Banking and Finance,**

**Director of Research Centre for ESG**

**HSUHK**

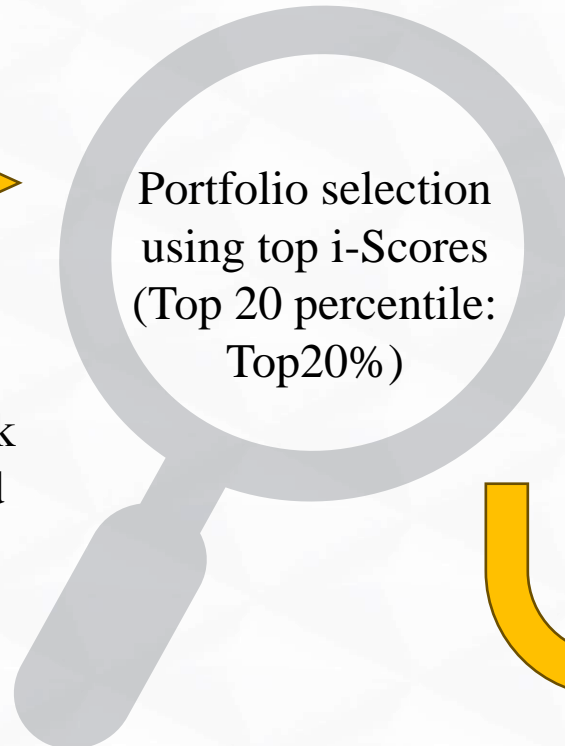
# Using ESGi-Composite Scorecard to Select Investment



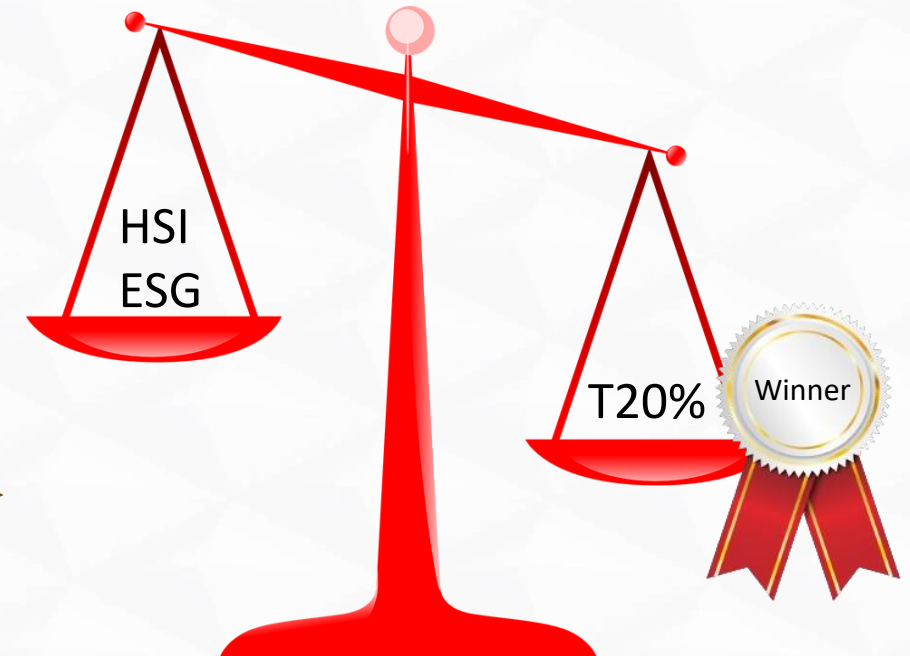
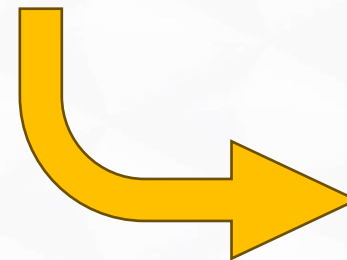
Stock list with i-Score in our website Scorecard

Stock Code	T1	Name	T1	GICS1	T1	Market Cap	T1	iScore (%)	T1	BP Net Asset (%)	T1	VJV Net Asset (%)	T1	Yr ESGi Composite % (rank by sector)	T1	Overall Ranking	T1
00002.HK		CLP HOLDINGS LIMITED		Utilities		Large Cap		6.30 (100%)		4.2 (92%)		1.7 (27%)		5.29 (1)		1	
02369.HK		WUJI APTEC CO., LTD.		Health Care		Large Cap		7.65 (100%)		-0.1 (87%)		-0.4 (88%)		5.28 (1)		2	
01928.HK		SANES CHINA LTD.		Consumer		Large Cap		6.39 (99%)		4.6 (99%)		0.1 (49%)		5.18 (1)		3	
00175.HK		GEELY AUTOMOBILE HOLDINGS LIMITED		Consumer		Mid Cap		6.63 (100%)		3.6 (89%)		0.6 (83%)		5.03 (2)		4	
00005.HK		HSBC HOLDINGS PLC		Financials		Large Cap		7.06 (100%)		0.4 (89%)		-0.5 (82%)		4.93 (1)		5	
03219.HK		CHINA MEDICINE LIMITED		Consumer		Mid Cap		6.66 (100%)		1.4 (88%)		0.2 (69%)		4.90 (1)		6	
00956.HK		CHINA SOUTHERN GREEN ENERGY CORP. LTD.		Energy		Mid Cap		6.55 (100%)		2.0 (67%)		0.3 (33%)		4.90 (1)		7	
00011.HK		HANG SENG BANK LIMITED		Financials		Large Cap		6.45 (97%)		4.6 (89%)		0.9 (92%)		4.64 (2)		8	
00146.HK		SHENZHEN EXPRESSWAY CORP. LTD.		Industrials		Mid Cap		6.39 (100%)		0.9 (87%)		0.3 (38%)		4.51 (1)		9	
01299.HK		AVA CORP. LIMITED		Financials		Large Cap		5.34 (96%)		4.4 (88%)		0.3 (87%)		4.44 (3)		10	
03347.HK		HANGZHOU THORFARM COMPLEMENTS CO., LTD.		Health Care		Mid Cap		5.93 (96%)		1.6 (66%)		0.1 (52%)		4.41 (2)		11	
00993.HK		TRIME INTERNATIONAL HOLDINGS LIMITED		Industrials		Small Cap		6.00 (99%)		0.6 (84%)		0.1 (38%)		4.29 (2)		12	
01310.HK		FEIHN LTD.		Communication		Small Cap		5.84 (100%)		0.3 (32%)		1.0 (92%)		4.28 (1)		13	
06690.HK		HAIER SMART HOME CO., LTD.		Consumer		Large Cap		5.65 (97%)		1.8 (78%)		0.3 (29%)		4.27 (3)		14	
00016.HK		SUN HUNG KAI PROPERTIES LIMITED		Real Estate		Large Cap		5.27 (99%)		2.2 (84%)		1.3 (97%)		4.21 (1)		15	
00941.HK		CHINA MOBILE LTD.		Communication		Large Cap		5.75 (96%)		0.4 (36%)		0.5 (84%)		4.17 (2)		16	
00003.HK		THE HONG KONG AND CHINA GAS COMPANY LIMITED		Utilities		Large Cap		5.02 (92%)		1.0 (80%)		3.2 (90%)		4.16 (2)		17	

➤ Step 1: Go to our website at <https://www.bigdata-esg.com/the-top-500> to extract top i-Score firms. In this example, we use top 20% (i.e. top 100 i-Score firms) in 2022 to form a portfolio.



➤ Step 2: We extract relevant stock return data from Bloomberg and compute the monthly portfolio return using market cap weights and industry neutral approach from the top 500 universe.

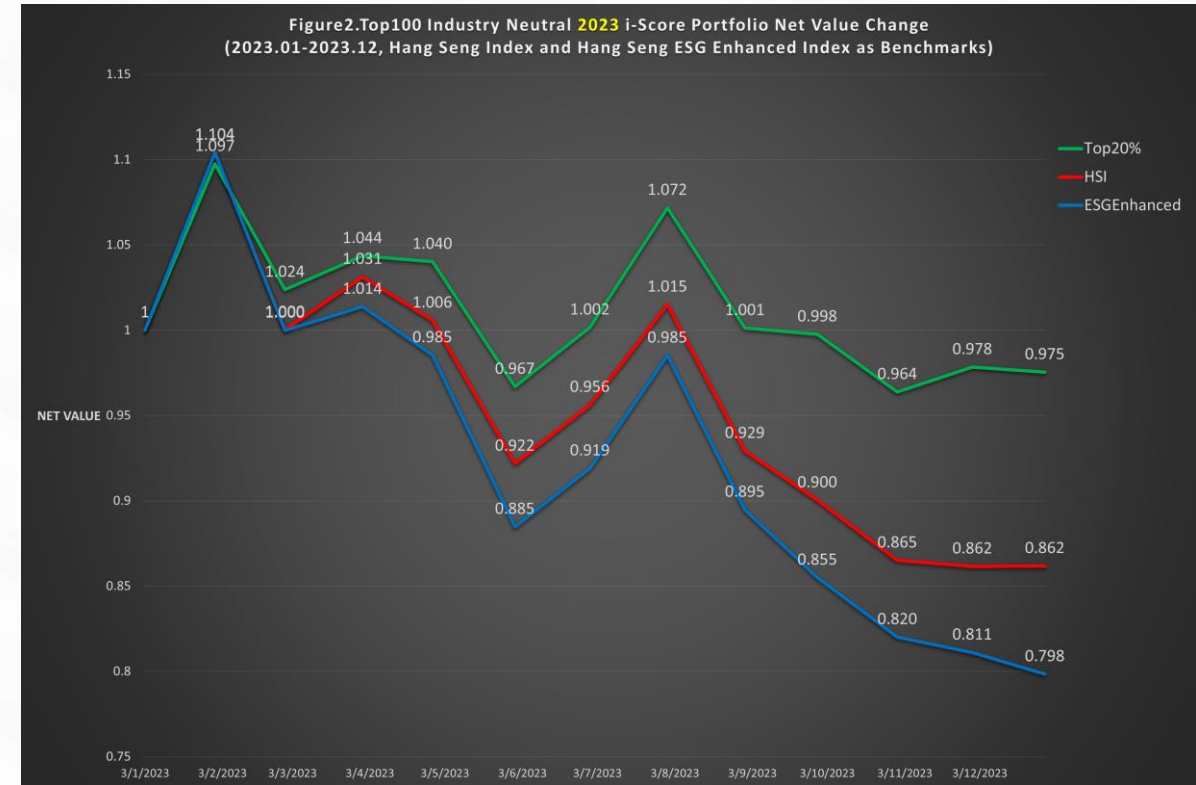
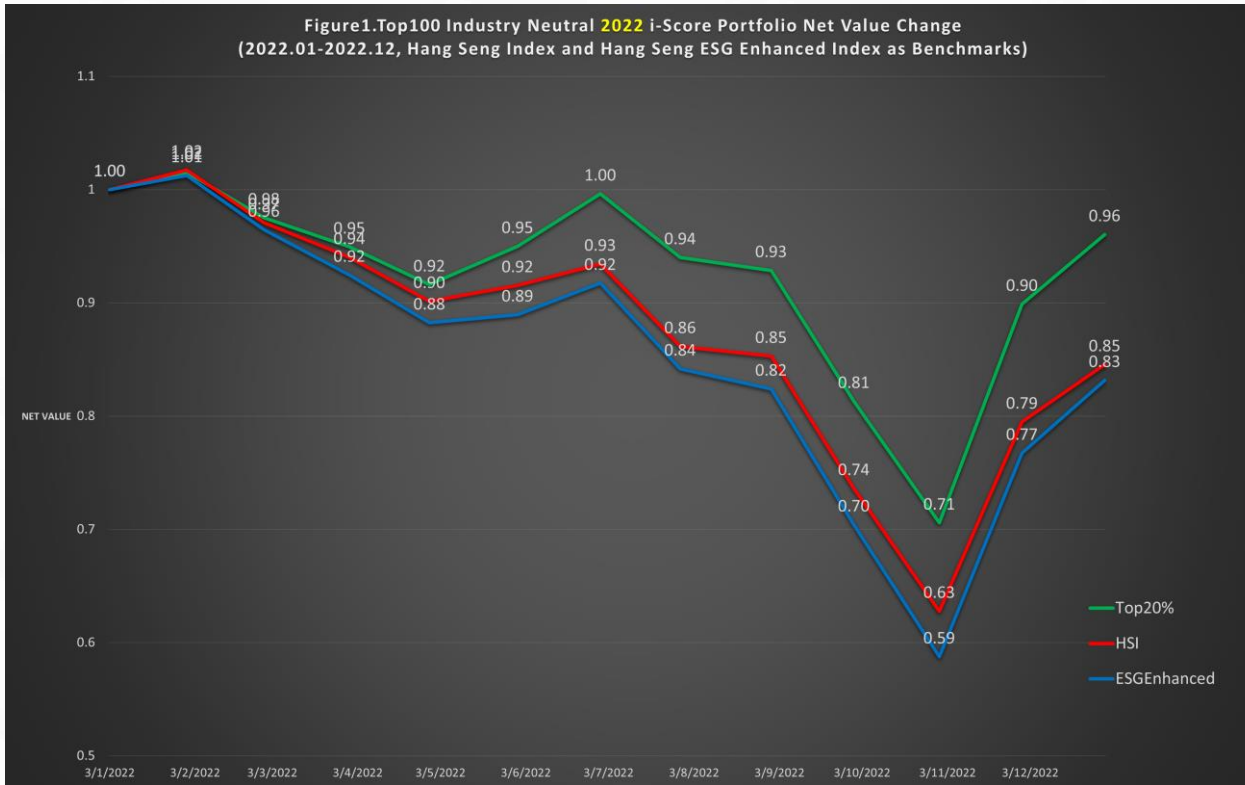




# Return Comparison for Top20%, HSI, and ESGEnhanced



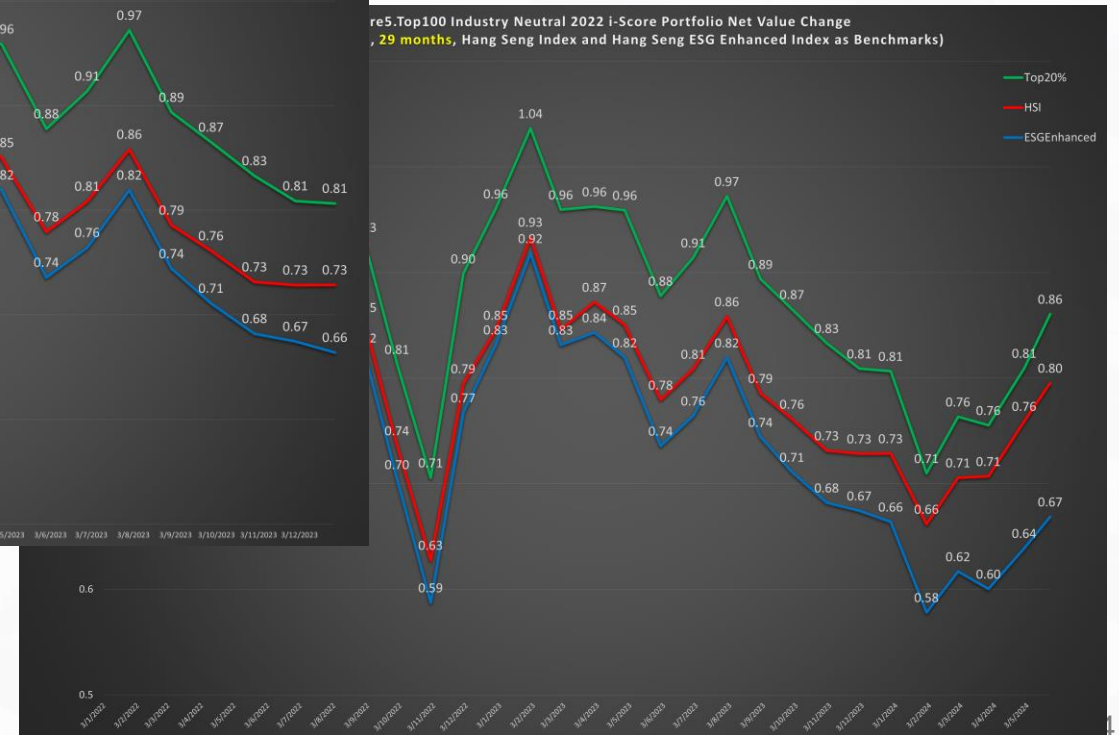
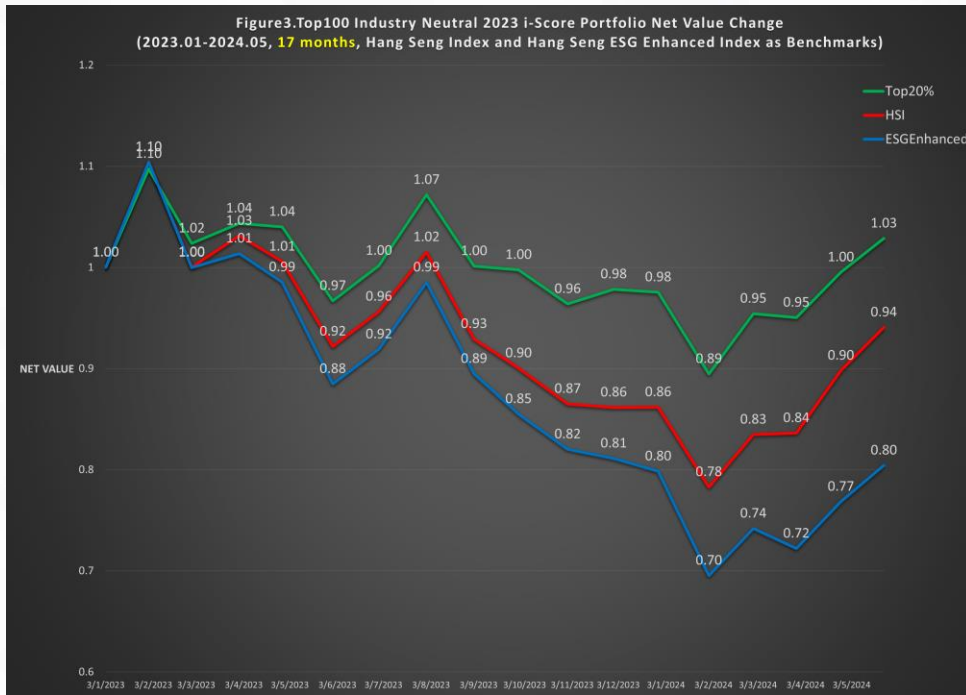
Figure 1 and 2: Top100 Industry Neutral i-Score Portfolio Net Value Change (Hang Seng Index and Hang Seng ESG Enhanced Index as Benchmarks Using 2022 and 2023 Monthly Data )





# Return Comparison for Top20%, HSI, and ESGEnhanced

Figure 3, 4 and 5: Top100 (2022) Industry Neutral i-Score Portfolio Net Value Change (Hang Seng Index and Hang Seng ESG Enhanced Index as Benchmarks Using 17 Months, 24 Months and 29 Months of Return Data )





# Top20% Portfolio Performance (Alpha) Relative to Benchmarks



	Monthly average return (2022)	Monthly average return (2023)	Monthly average return (2023-2024.05, 17mths)	Monthly average return (2022-2023, 24mths)	Monthly average return (2022-2024.05, 29mths)
i-Score Industry Neutral Top20% Portfolio (Top20%)	0.14%	-0.08%	0.30%	-0.58%	-0.21%
Hang Seng Index (HSI)	-0.89%	-1.06%	-0.17%	-0.98%	-0.47%
Hang Seng ESG Enhanced Index (ESGEnhanced)	-0.89%	-1.66%	-1.04%	-1.28%	-0.98%
Alpha (Top20%-HSI)	1.03%*** (t-value=3.75)	0.98%** (t-value=2.53)	0.47% (t-value=1.27)	0.39%* (t-value=1.32)	0.26% (t-value=0.941)
Alpha (Top20%-ESGEnhanced)	1.04%** (t-value=1.91)	1.58%*** (t-value=3.54)	1.35%*** (t-value=2.94)	0.69%** (t-value=1.97)	0.78%*** (t-value=2.627)



\*is significant at 0.1 level using one-tailed test.  
\*\* is significant at 0.05 level using one-tailed test.  
\*\*\* is significant at 0.01 level using one-tailed test.

What is i-Score? For each stock, we compute a divergence factor based on various ESG ratings of each firm from providers of different regions to capture the divergence effect. The larger the difference among ratings for the firm, the larger the divergence factor would be. We compute the iScore for each firm by scaling the average ESG rating by the divergence factor. For more details, please refer to <https://www.myesgi.com>

## Opportunities and Challenges in Consulting for ESG/Climate Change 3:30-4:00pm

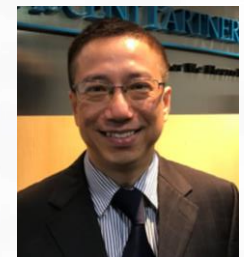
Opportunities	Louis	William	Hauman
1. Buy-side analyst/fund manager for ESG/Green integrated portfolios	✓		✓
2. Carbon neutrality and transition planning	✓	✓	
3. ESG/Low carbon products and services (including consulting)	✓	✓	✓
4. ESG/Green standard consultant (ISO, Eco-vidas, CDP)			✓
5. Green bond/carbon certification consultant or verifier			✓
Challenges			
1. Lack of data (scope 3) and knowledge, specially for SMEs	✓	✓	
2. Identifying greenwashing risks	✓	✓	
3. Unlike other services, the scope is too big			✓
4. Standards are not clear and changing rapidly	✓		✓



Prof. Louis Cheng  
HSUHK



Dr. William Yu, CEO  
World Green Organisation



Mr. Hauman Yeung  
Director, Sustainability  
Ascent Partners