ESG 研究中心
RESEARCH CENTRE FOR ESG
香港恒生大學
THE HANG SENG UNIVERSITY
OF HONG KONG

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

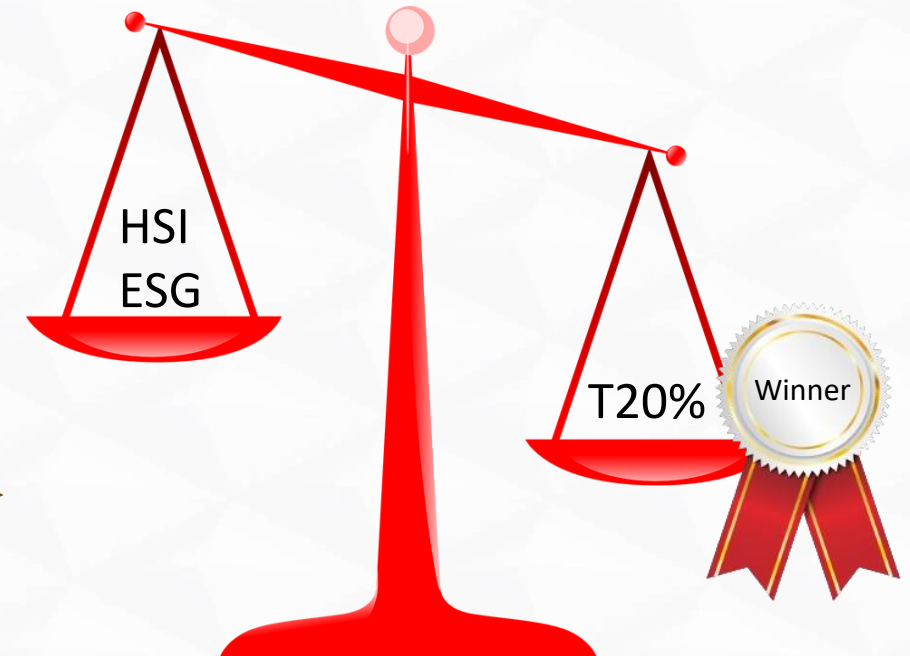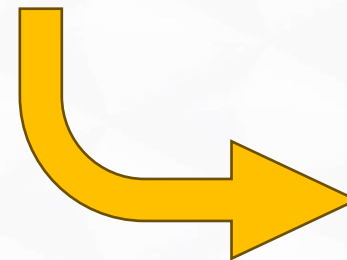# Using ESGi-Composite Scorecard to Select Investment

Stock list with i-Score in our website Scorecard

➢ 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.

Portfolio selection using top i-Scores (Top 20 percentile: Top20%)
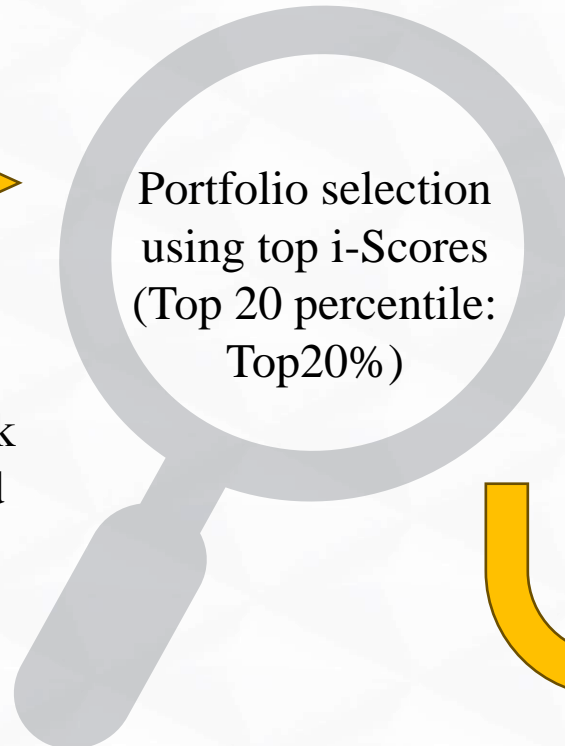
➢ Step 2: We extract relevant stock return data from Bloomberg and compute the monthly portfolio return using market cap weights and industry neutral approach from the top 500 universe.

HSI ESG

T20% Winner

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)
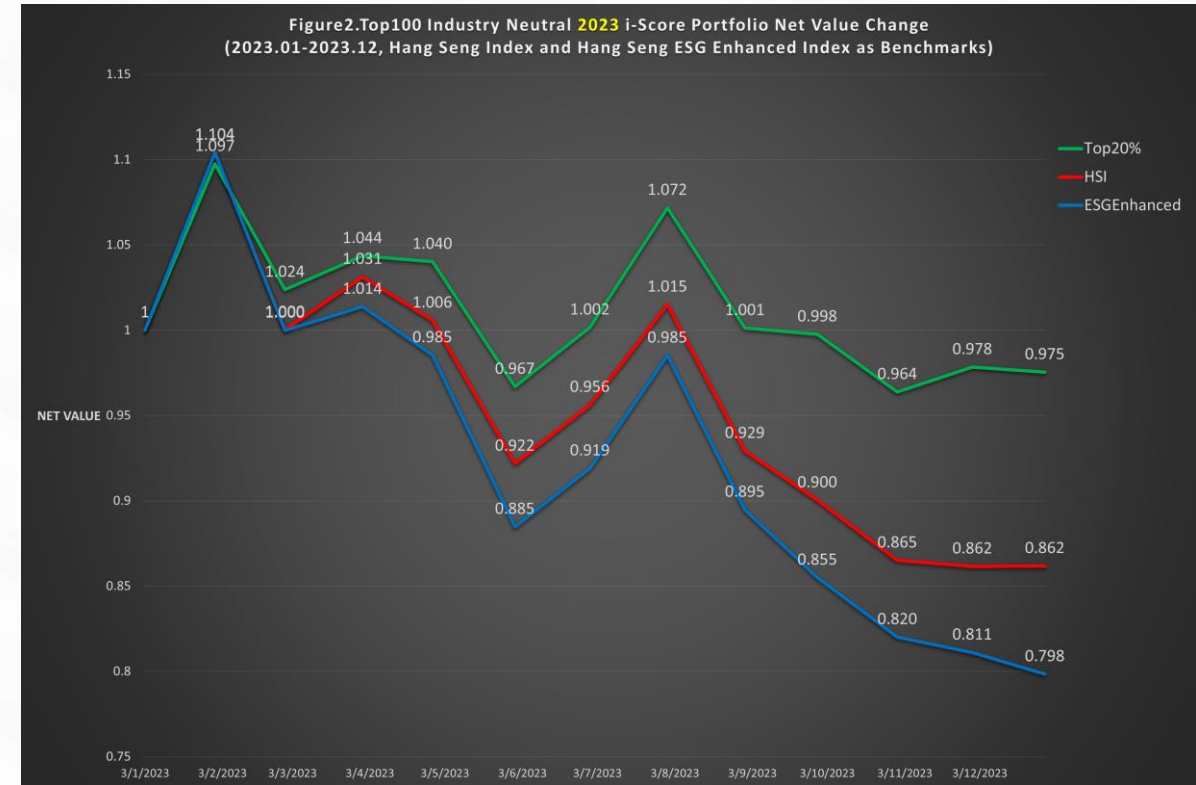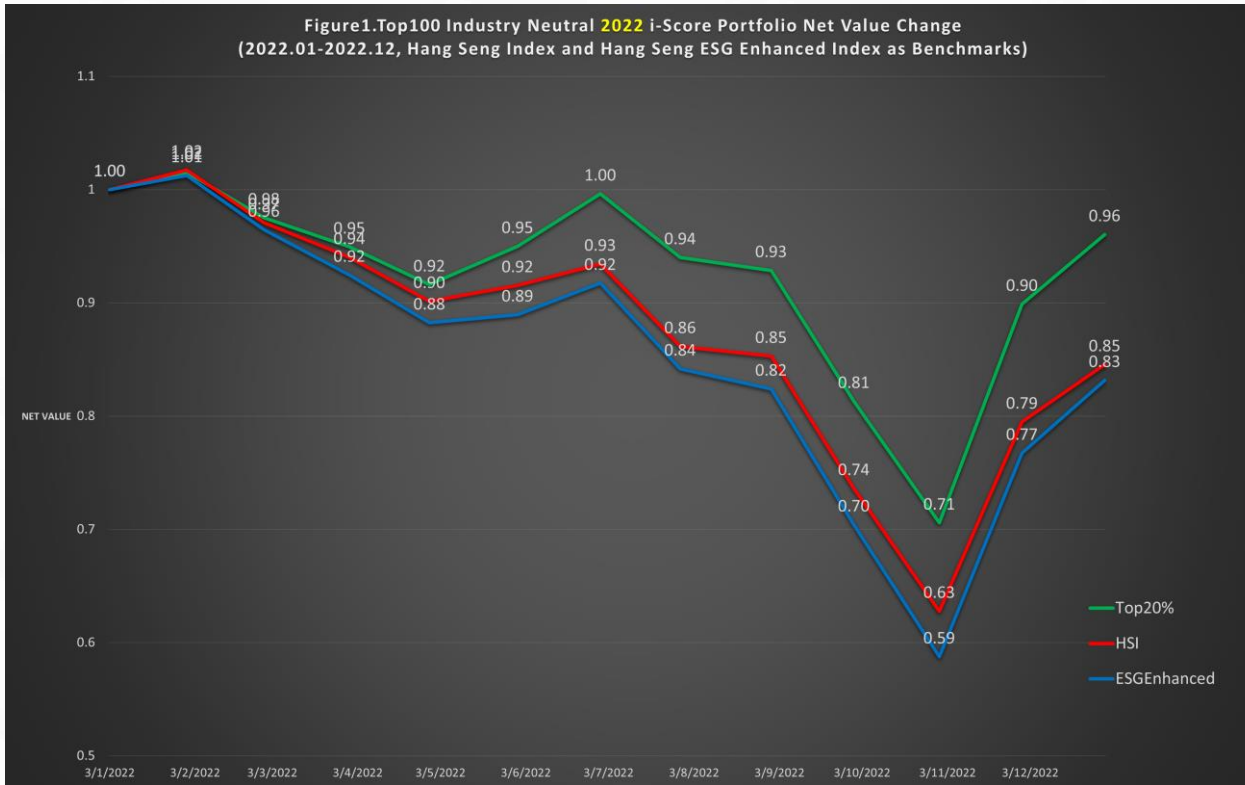
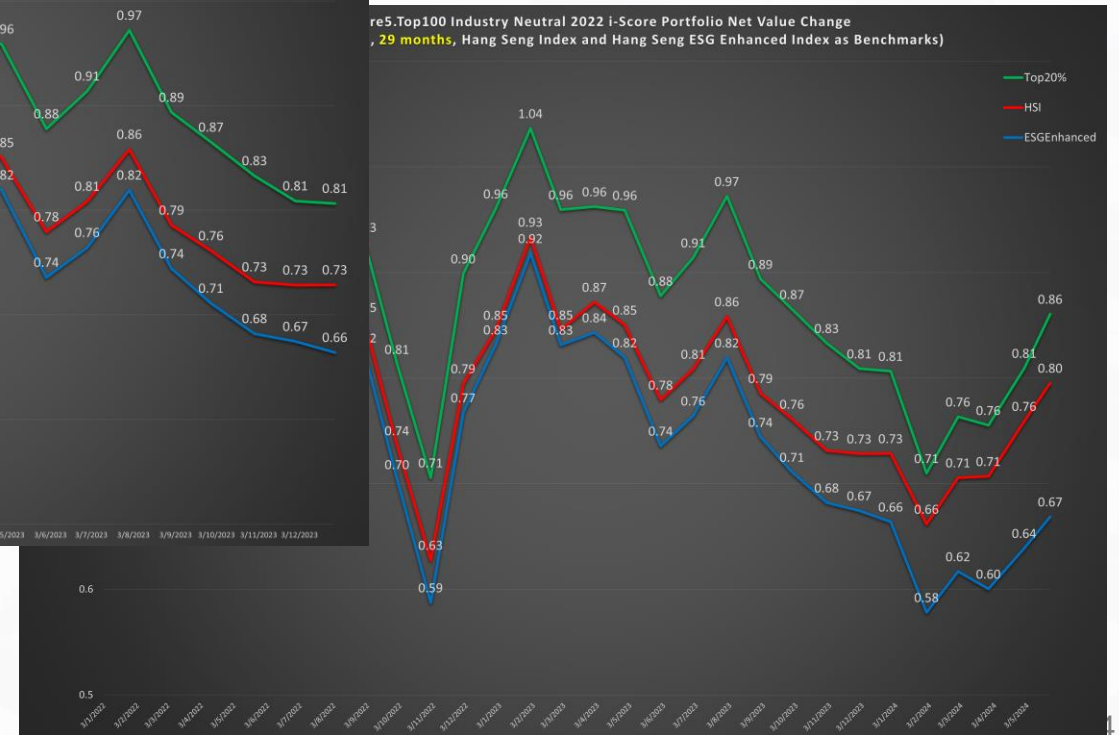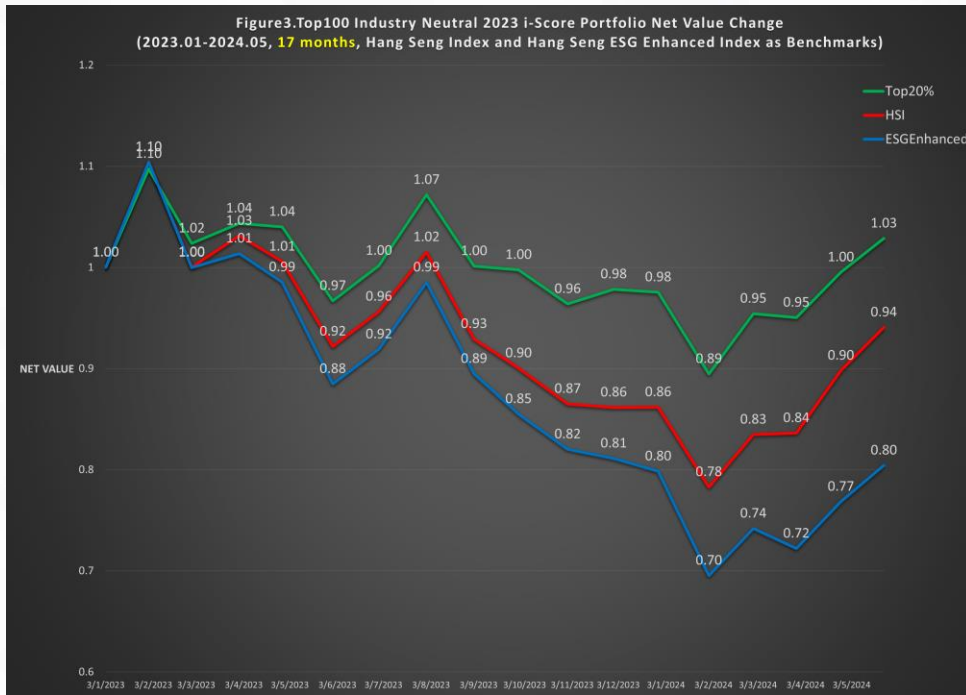# Return Comparison for Top20%, HSI, and ESGEnhanced

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

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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	✓		✓

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HSUHK

Dr. William Yu, CEO
World Green Organisation
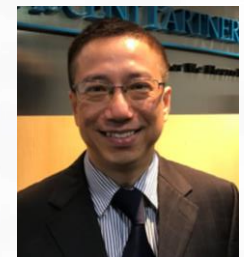
Mr. Hauman Yeung
Director, Sustainability
Ascent Partners