



# Agenda

- Background to ESG Investing and Trends
- Focus on TCFD – Task Force for Climate Related Financial Disclosure
- Closing remarks and questions



+852 21095158  
hrouth@deloitte.com.hk



# Responsible Investment / ESG Investing – an opportunity for value creation

## ESG投资- 价值增长的机会

**2012 Harvard & London Business School Study, [The Impact of Corporate Sustainability on Organisational Processes and Performance](#)**

2012 · 哈佛大学&伦敦商学院 · 企业可持续发展对组织过程和绩效的影响

**2015 University of Oxford & Arabesque Partners Meta-study, [How sustainability can drive financial performance](#)**

2015 · 牛津大学& Arabesque Partners, 可持续性如何推动财务业绩

**2015 University of Hamburg & Deutsche Asset & Wealth Management Investment Meta-study, [ESG and financial performance:](#)**

2015 · 德国汉堡大学与德意志资产及财富管理投资公司 · ESG与财务业绩

**2015 HKUST and Robeco, [The role of governance relative to environmental and social factors in equity returns.](#) (Benz et al)**

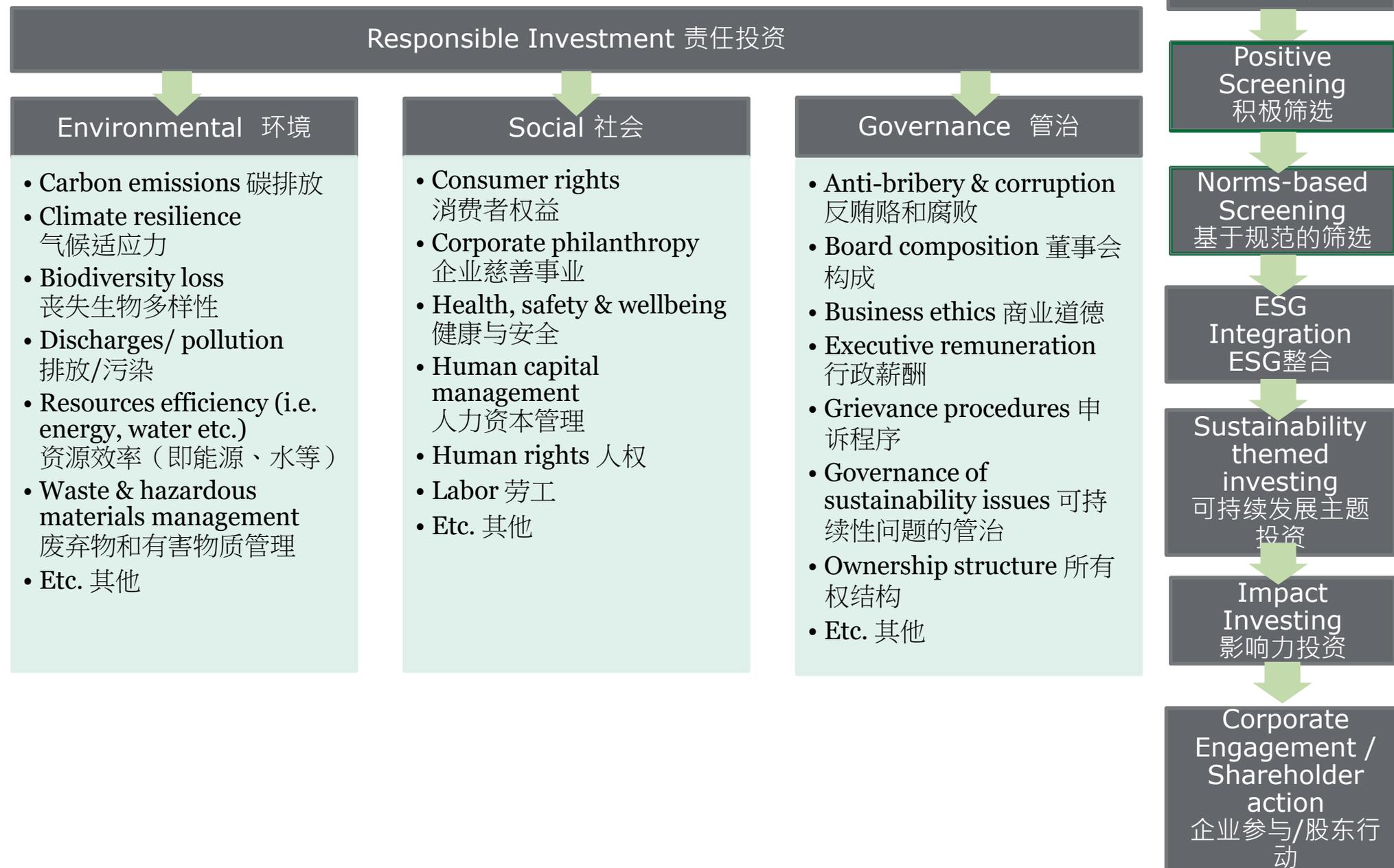
2015 · 香港科技大学& Robeco, 管治相对于环境和社会因素在股权回报中的作用

ESG investing leads to lower cost of capital and higher returns  
ESG投资可以降低资本成本并提高回报

- **90%** of the studies show that sound sustainability standards **lower the cost of capital**  
**90%**的研究表明 · 健全的可持续标准降低了资本成本
- **80%** of the studies show that **stock price performance of companies is positively influenced** by good sustainability practices  
**80%**的研究表明积极可持续性实践对**公司的股价有正面影响**
- **70%** greater effect on stock price in **Asia compared to rest of world**  
与世界其他地区相比 · **亚洲**股票价格上涨**70%**

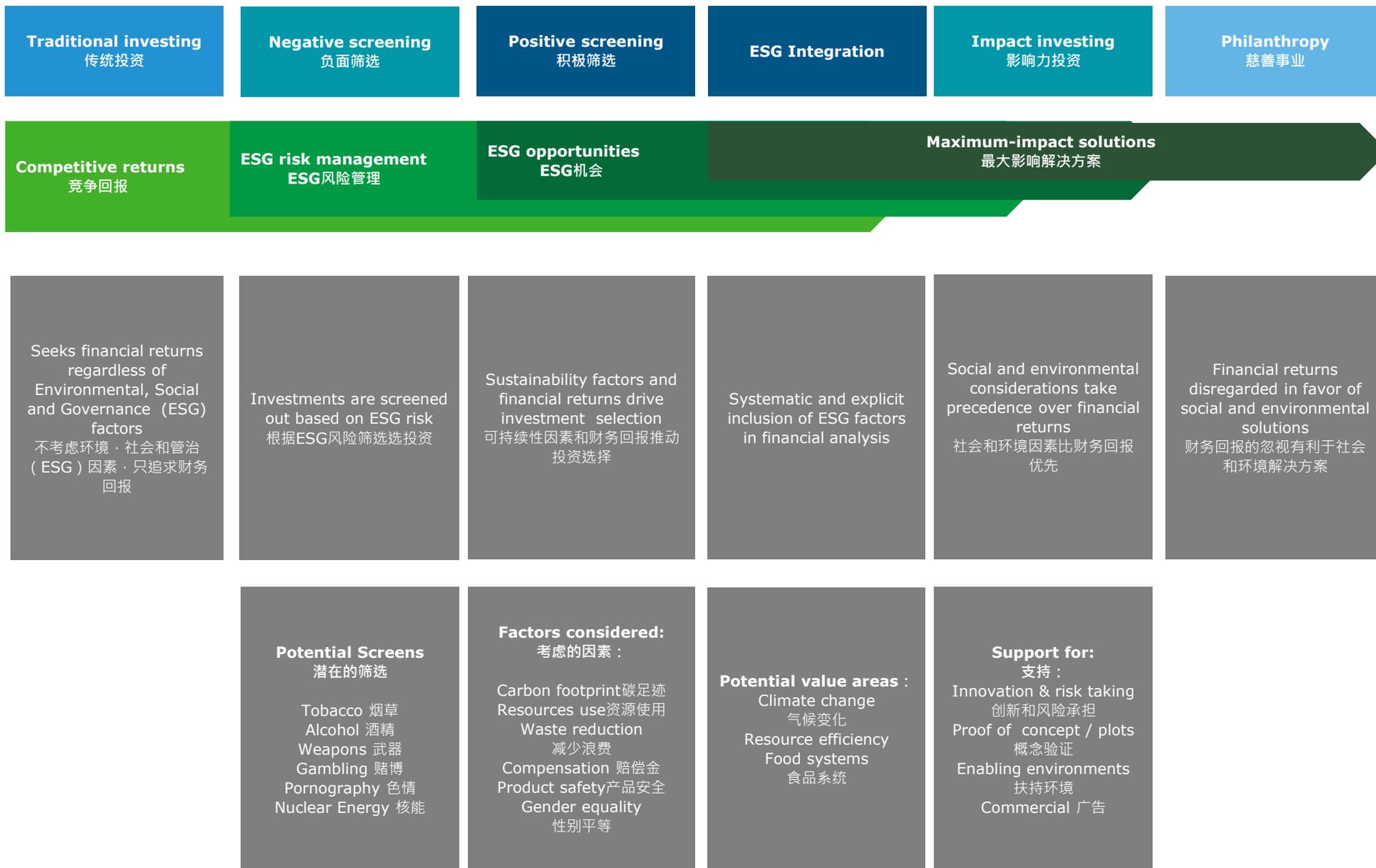
# What does Responsible Investment / ESG investing entail?

## ESG 投资代表什么？



# ESG Investing Spectrum

## ESG投资范围



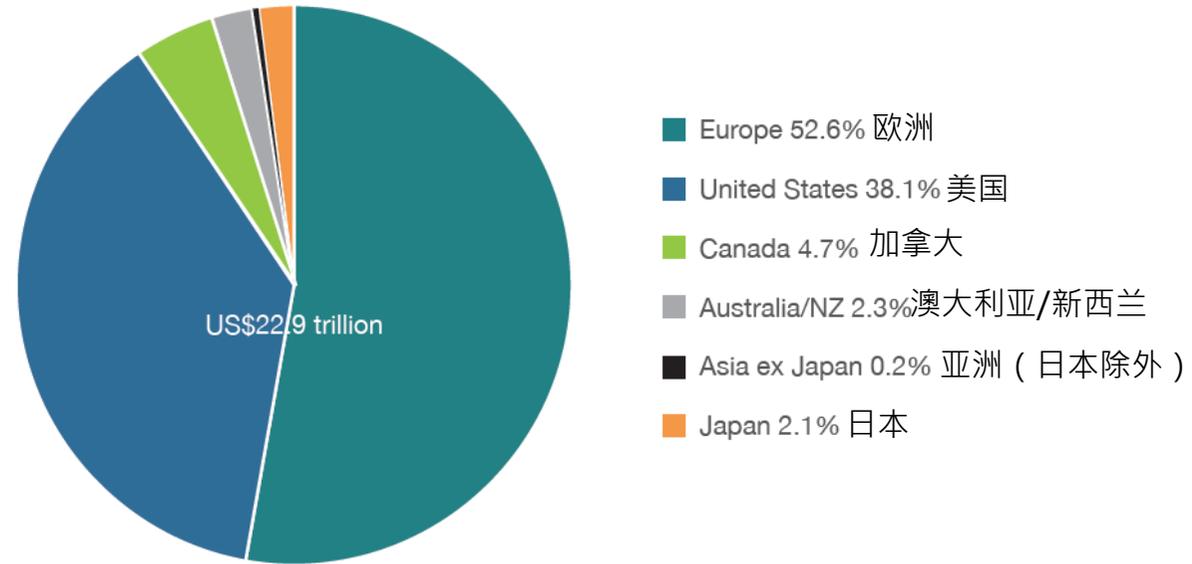
Based on: Impact investing, A sustainable strategy for hedge funds, Deloitte Centre for Financial Services  
 参考：影响力投资·对冲基金的可持续战略·德勤金融服务中心

# Growth of Responsible Investment / ESG Investing Assets

## ESG / 负责任投资资产的增长

- Global sustainable investment increased by 25% from 2014-2016 to \$22.8 trillion USD  
全球可持续投资从2014年 - 2016年增加了25%，达到22.8万亿美元
- Highest growth in Japan and Australia / New Zealand  
日本和澳大利亚 / 新西兰的增长率最高

Global ESG assets by region 按地区划分的全球ESG资产  
Global Sustainable Investment Alliance 2016 report  
2016年国际可持续投资联盟报告

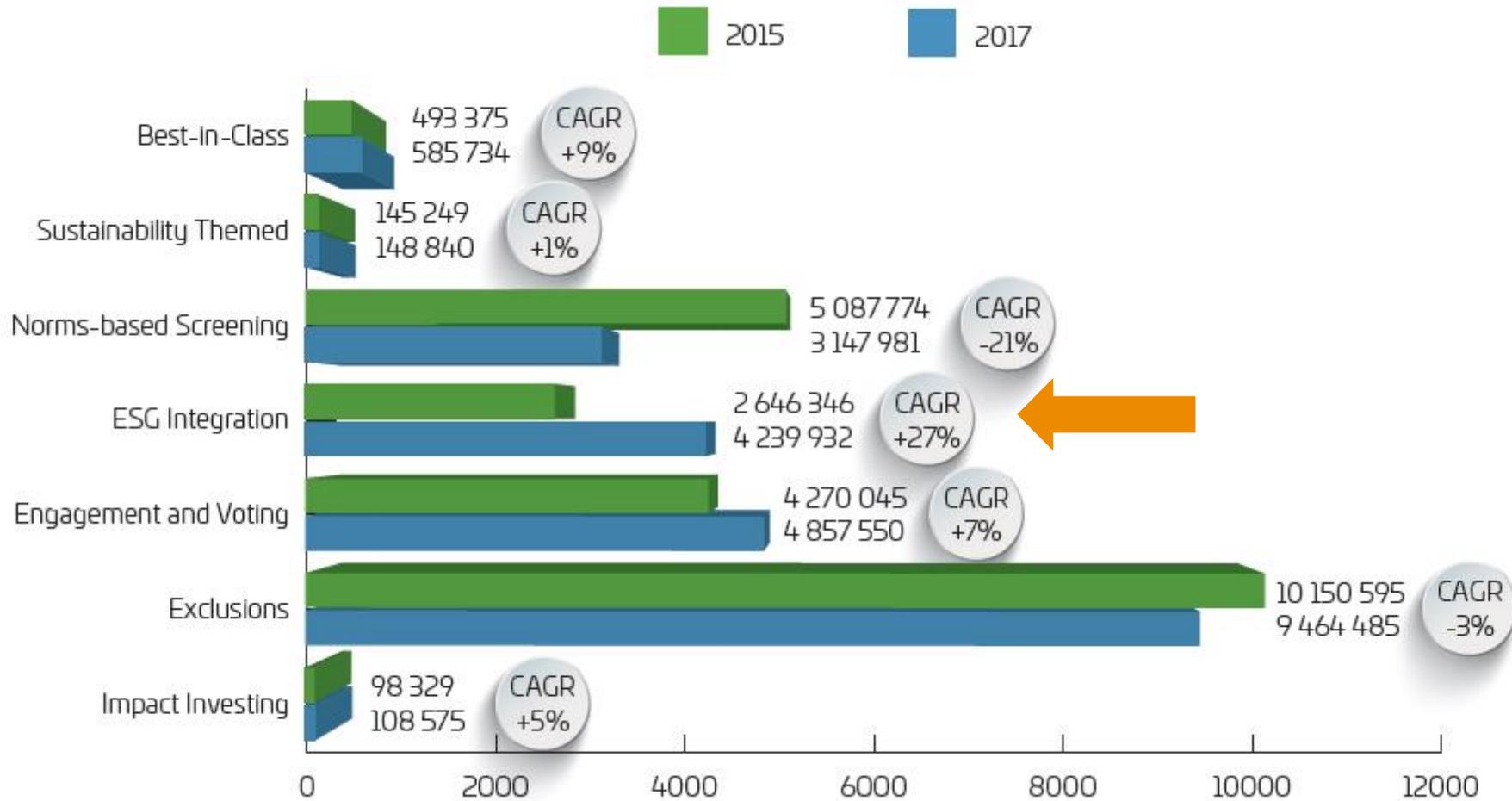


Region	2014	2016	Growth over period
Europe 欧洲	\$ 10,775	\$ 12,040	11.7%
United States 美国	\$ 6,572	\$ 8,723	32.7%
Canada 加拿大	\$ 729	\$ 1,086	49.0%
Australia/New Zealand 澳大利亚/新西兰	\$ 148	\$ 516	247.5%
Asia ex Japan 亚洲 (日本除外)	\$ 45	\$ 52	15.7%
Japan 日本	\$ 7	\$ 474	6689.6%
<b>Total</b>	<b>\$ 18,276</b>	<b>\$ 22,890</b>	<b>25.2%</b>

Growth of ESG assets by region 2014-2016, in USD billions 2014 - 2016年按地区划分的ESG资产增长，以十亿美元计算

# Overview of sustainable investing strategies in Europe

From: European SRI Study 2018, Eurosif

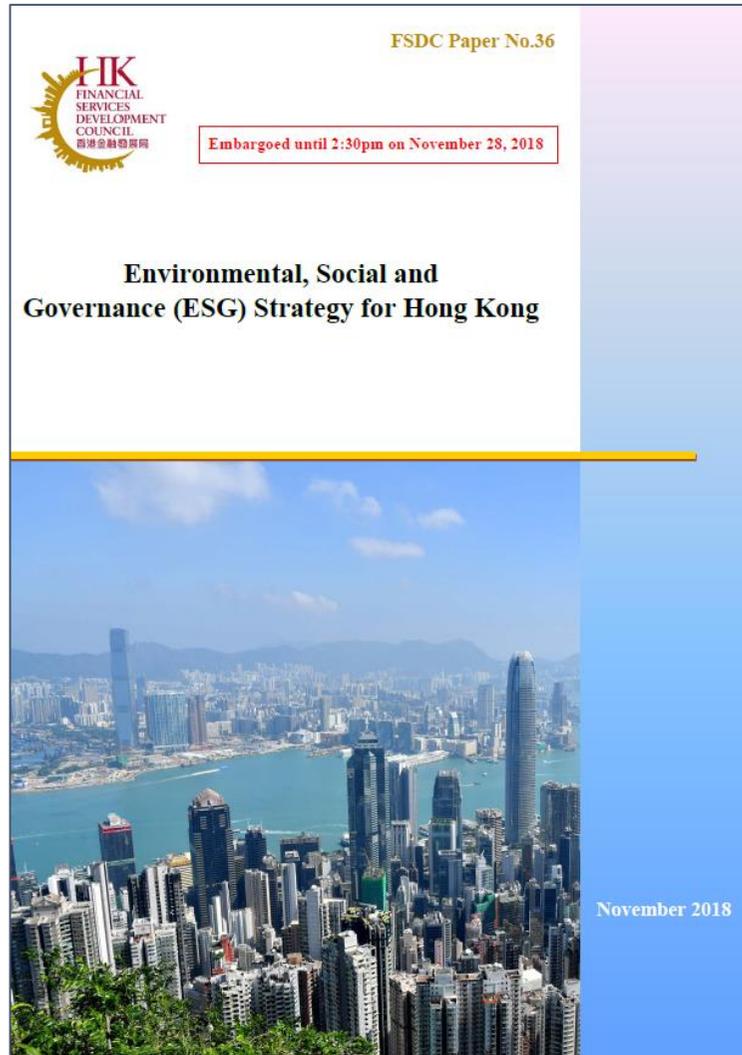


# Hong Kong Green Finance Association (HKGFA) launched in September 2018



香港綠色金融協會  
Hong Kong Green Finance Association

# Financial Services Development Council (FSDC) publication *ESG Strategy for Hong Kong*



## ***Key Recommendations:***

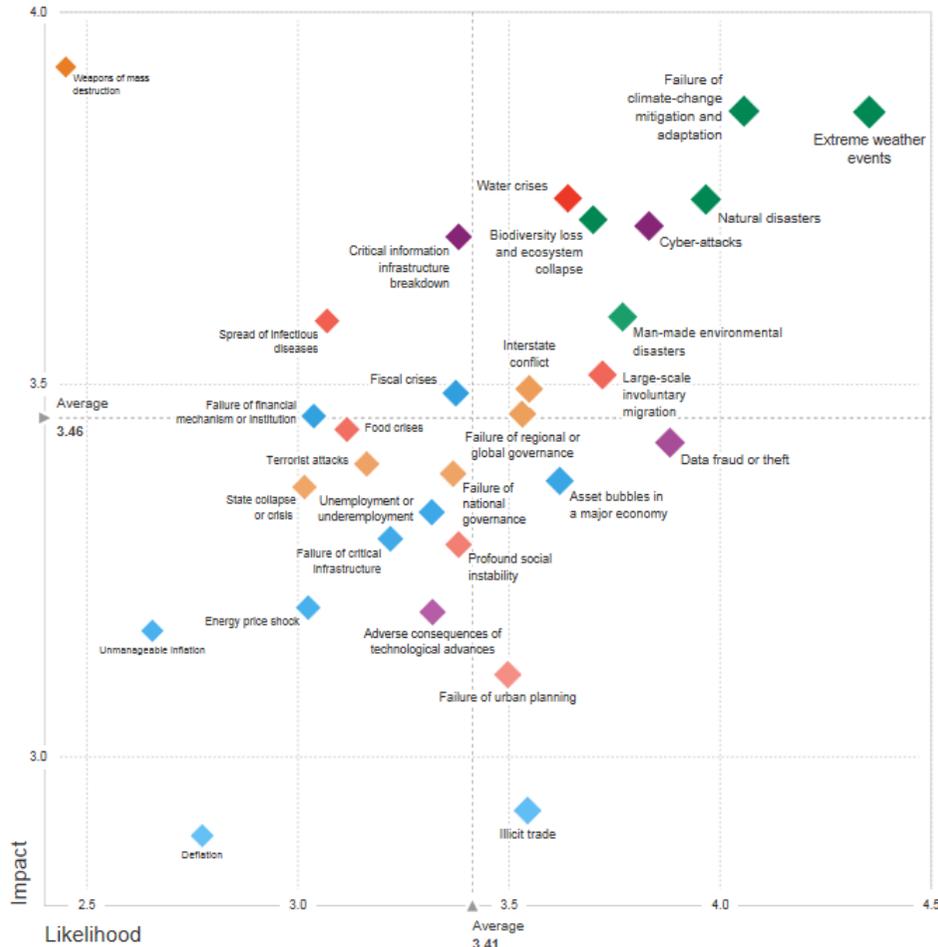
- Government leadership on ESG integration
- Hong Kong Monetary Authority – ESG requirements for external managers
- Mandatory Provident Fund Schemes Authority to incorporate ESG standards
- Securities and Futures Commission to strengthen emphasis on ESG
- Hong Kong Stock Exchange to strengthen emphasis for both listing applicants and listed companies



# CLIMATE CHANGE – THE GREATEST RISK FACING THE WORLD?

## The Global Risks Landscape 2019

What is the impact and likelihood of global risks?



\*

### Top 10 risks in terms of Likelihood

1. Extreme weather events
2. Failure of climate-change mitigation and adaptation
3. Natural disasters
4. Data fraud or theft
5. Cyberattacks
6. Man-made environmental disasters
7. Large-scale involuntary migration
8. Biodiversity loss and ecosystem collapse
9. Water crises
10. Asset bubbles in a major economy

### Top 10 risks in terms of Impact

1. Weapons of mass destruction
2. Failure of climate-change mitigation and adaptation
3. Extreme weather events
4. Water crises
5. Natural disasters
6. Biodiversity loss and ecosystem collapse
7. Cyberattacks
8. Critical information infrastructure breakdown
9. Man-made environmental disasters
10. Spread of infectious disease

Source: World Economic Forum Global Risks Perception Survey 2018–2019

# TASK FORCE FOR CLIMATE-RELATED FINANCIAL DISCLOSURE - BACKGROUND

G20 Finance Ministers and Central Bank Governors asked the Financial Stability Board (FSB) to review how the financial sector can take account of climate-related issues.

The FSB established the Task Force on Climate-related Financial Disclosures (TCFD) to develop recommendations that:

- could “**promote more informed investment, credit, and insurance underwriting decisions**” and,
- in turn, “would enable stakeholders to **understand better** the concentrations of **carbon-related assets in the financial sector** and the financial system’s **exposures to climate-related risks.**”

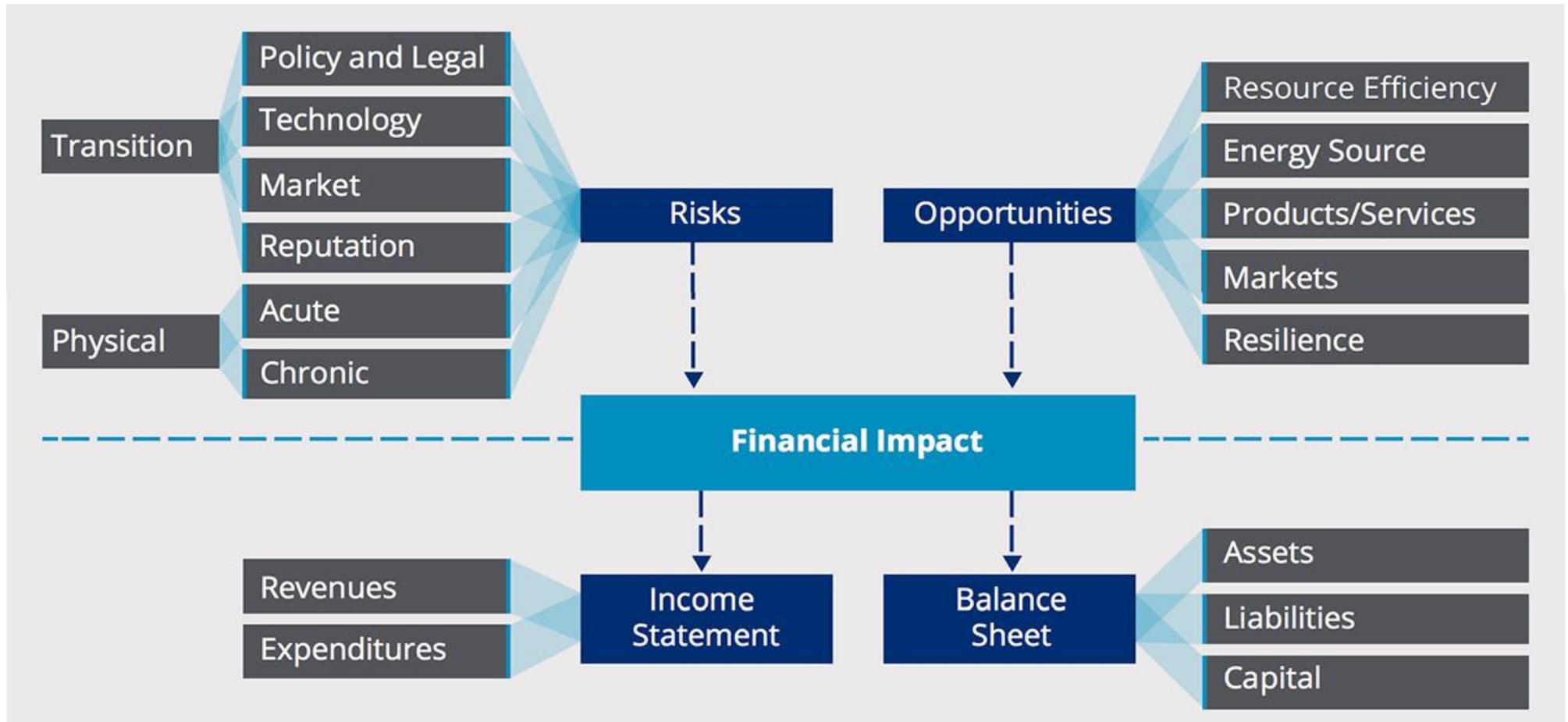
## Industry Led and Geographically Diverse Task Force

The Task Force’s 31 international members, led by Michael Bloomberg, include providers of capital, insurers, large non-financial companies, accounting and consulting firms, and credit rating agencies.



# TCFD – FOCUS ON FINANCIAL IMPACTS

Task Force for Climate-related Financial Disclosure (TCFD) - Taxonomy



# FINANCIAL IMPACT BY INDUSTRY

To assist organizations in understanding how climate-related risks may impact them financially, the Task Force prepared a high-level overview of the types of financial impact of climate-related risks that have been identified for specific industries and groups.

The financial impacts from climate-related risks are grouped into the following general categories:

- Revenues
- Expenditures
- Assets and Liabilities
- Capital and Financing

Evidence of Financial Impact*		Revenues	Expenditures	Assets and Liabilities	Capital and Financing
Groups and Industries					
Financial	Banks	■		■	
	Insurers	■	■	■	
	Asset Owners	■		■	
	Asset Managers	■		■	
Energy	Oil and Gas	■	■	■	■
	Coal		■	■	■
	Electric Utilities	■	■		■
Transportation	Air Freight		■		■
	Passenger Air Transportation		■		■
	Maritime Transportation		■		■
	Rail Transportation		■		■
	Trucking Services		■		■
	Automobiles and Components	■	■		■
Materials and Buildings	Metals and Mining		■		■
	Chemicals	■	■		■
	Construction Materials	■	■		■
	Capital Goods	■	■		
	Real Estate Management and Development	■	■	■	■
Ag. Food, and Forest	Beverages		■		■
	Agriculture	■	■	■	■
	Packaged Foods and Meats		■	■	■
	Paper and Forest Products	■	■	■	■

\*Largely, but not solely, based on select content from the Sustainability Accounting Standards Board (SASB) "Financial Impacts of Climate Risk" table in its Climate Risk Technical Bulletin

# STRUCTURE OF TCFD RECOMMENDATIONS

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The Task Force developed **four widely-adoptable recommendations** on climate-related financial disclosures that are applicable to organizations across sectors and jurisdictions.

The recommendations are structured around four thematic areas that represent core elements of how organizations operate:



## **Governance**

The organization's governance around climate-related risks and opportunities

## **Strategy**

The actual and potential impacts of climate-related risks and opportunities on the organization's businesses, strategy, and financial planning

## **Risk Management**

The processes used by the organization to identify, assess, and manage climate-related risks

## **Metrics and Targets**

The metrics and targets used to assess and manage relevant climate-related risks and opportunities

## TCFD BY THE NUMBERS

**601**

Supporters as  
of March  
2019

With a market  
capitalisation of  
over **8.7 trillion  
USD.**

Including **326  
financial firms,**  
responsible for  
assets of over **107  
trillion USD.**

## 2018 STATUS REPORT<sup>\*</sup>

The majority disclose some  
climate-related information.

Information on strategy resilience under  
climate-related scenarios is limited.

Disclosures are often made  
in multiple reports.

Financial implications are often not disclosed.

**Disclosures vary across industries and regions.**

For example a higher percentage of non-financial  
companies reported information on their climate related  
metrics and targets compared to financial companies, but a  
higher percentage of financial companies indicated their  
enterprise risk management process included climate-  
related risk.



## Closing remarks



“Attracting and retaining the best talent increasingly requires a clear expression of purpose... In a recent survey by Deloitte, millennial workers were asked what the primary purpose of businesses should be – 63 percent more of them said ‘improving society’ than said ‘generating profit.’” – Blackrock Chairman and CEO, Larry Fink, 2019 Letter to CEOs

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