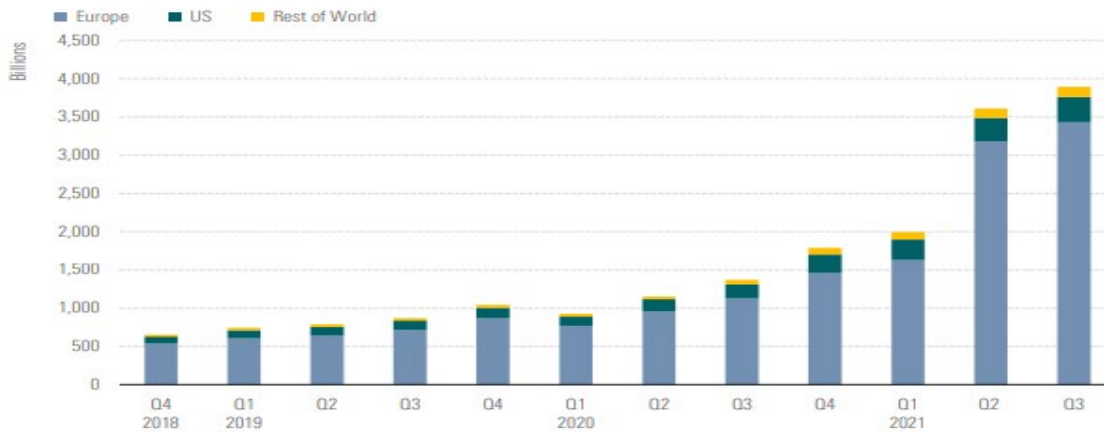


# ESG popularity is growing



More investors are investing into ESG (Environmental, Social and Governance) assets. Global sustainable fund assets almost doubled in the past six months to reach USD 3.9 trillion at the end of September 2021, according to Morningstar. Although it was mainly driven by new disclosure rules in Europe for the surge in the past two quarters, assets in Global sustainable funds grew substantially from slightly more than USD 500 billion three years ago.

**Global Sustainable Fund Flows<sup>1</sup>**



**Asia Pacific ESG indexes have frequently outperformed non-ESG indexes in the past decade. Invest for sustainability without sacrificing potential returns, especially in a post-COVID world**

Investing in companies with a robust and convincing ESG strategy may positively affect ROI, reduce lending and revenue risks. Companies that are conscious of ESG trends, and address ESG risks and opportunities actively have been more likely to outperform those that do not, as reflected below in the performance comparison. They may be better equipped to tackle the impact from potential negative incidents both economically and socially.

In fact, the performance of ESG indices may outperform non-ESG traditional indices. Take MSCI AC Asia Pacific ex Japan ESG Rating Select 100 Index as an example, with a return of 29.54% as of September 2021 for the last one year. It had outperformed its non-ESG corresponding index (MSCI AC Asia Pacific ex Japan Index) by 13.94% in the past one year. From a long term 10-year perspective, it outperformed its non-ESG counterpart by 2.18% annually. Since 2010, this ESG Index outperformed the traditional benchmark in 9 out of 11 years.

**Cumulative Index Performance<sup>2</sup>**

**CUMULATIVE INDEX PERFORMANCE – PRICE RETURNS (EUR)  
(FEB 2009 – SEP 2021)**



**ANNUAL PERFORMANCE (%)**

Year	MSCI AC Asia Pacific ex Japan ESG Rating Select 100	MSCI AC Asia Pacific ex Japan
2020	12.95	9.91
2019	19.95	17.98
2018	-10.17	-12.02
2017	13.64	17.27
2016	8.54	6.84
2015	-0.63	-1.94
2014	15.03	13.65
2013	-1.01	-3.88
2012	17.35	16.83
2011	-11.10	-15.24
2010	20.38	22.95

## Governments adding ESG strategies to their policies<sup>3</sup>

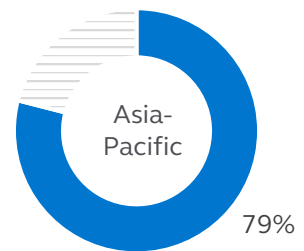
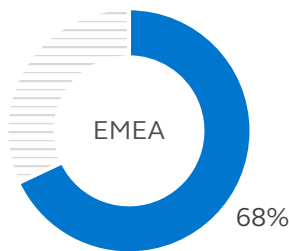
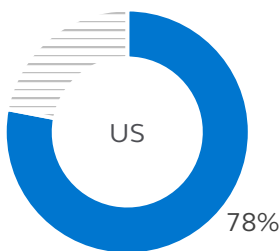
The G7 countries collective GDP is worth 40% of the world's total and they are leading the ESG transition. Almost all countries in the world, according to their levels of development, have incorporated ESG factors as central tenets of their development strategies. According to the European Green Deal, by 2050, all member states will have achieved net-zero emissions. The same aspiration applies to the United States as well.

	Net zero 2050 target		Latest target for 2030	Emissions change 1990-2019
<b>UK</b>	In Law	●	68% below 1990 levels	▼ -38.4%
<b>Germany</b>	In Policy Document	●	55% below 1990 levels	▼ -33.3%
<b>Italy</b>	Target Under Discussion	●	55% below 1990 levels	▼ -23.0%
<b>France</b>	In Law	●	55% below 1990 levels	▼ -19.3%
<b>Japan</b>	In Policy Document	●	46% below 2013 levels [39% below 1990]	▼ -4.5%
<b>US</b>	In Policy Document	●	50-52% below 2005 levels [35-42% below 1990]	▲ 3.0%
<b>Canada</b>	Proposed Legislation	●	40-45% below 2005 levels [23-29% below 1990]	▲ 24.8%
<b>Australia</b>	No target	●	26-28% below 2005 levels [5-10% above 1990]	▲ 47.6%
<b>South Africa</b>	In Policy Document	●	Limited to 398-440 Megatonnes of CO2 [78% above 1990]	▲ 52.9%
<b>South Korea</b>	Proposed Legislation	●	24.4% below 2017 levels [81% above 1990]	▲ 147.0%
<b>India</b>	No target	●	Emissions per unit of GDP 33-35% below 2005 [413-445% above 1990]	▲ 352.1%
<b>China</b>	Have CO2 emissions peak before 2030 and achieve carbon neutrality before 2060			

## Sustainable investing is becoming a more important consideration for investors, especially for younger generations

Around 79% of institutional investors in Asia-Pacific increased ESG investments “significantly” or “moderately” in response to Covid-19, according to the MSCI 2021 Global Institutional Investor survey. The increased interest in ESG reflects investor concerns that many companies are facing growing ESG risks.

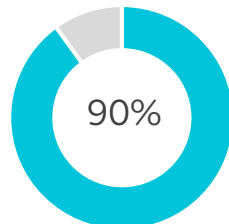
% of institutional investors increasing ESG investment as a response to COVID-19<sup>4</sup>



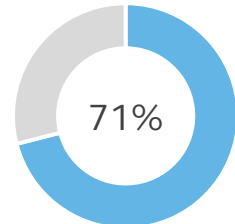
Over the next two to three decades, the millennial generation may put between USD\$15 trillion and USD\$20 trillion into U.S.-domiciled ESG investments, which would roughly double the size of the U.S. equity market, said MSCI.<sup>5</sup>



Millennial investors are more than 2X as likely to be interested in investments dedicated to solving social or environmental problem



of Millennials want to grow their allocations to responsible investments in the next five years



of individual investors are interested in sustainable investing

<sup>1</sup> Source: Global Sustainable Fund Flows, Morningstar Manager Research. Data as of September 2021.

<sup>2</sup> Source: Source: MSCI. Data as of September 2021. The MSCI AC Asia Pacific ex Japan ESG Rating Select 100 Index was launched on Feb 22, 2021. Data prior to the launch date is back-tested data (i.e. calculations of how the index might have performed over that time period had the index existed). There are frequently material differences between back-tested performance and actual results. Past performance -- whether actual or back-tested -- is no indication or guarantee of future performance.

<sup>3</sup>Source: CAT, ECIU, Global Carbon Project, GlobalData, ENERGYMONITOR. For details, please refer to: <https://energymonitor.ai/policy/net-zero-policy/how-far-along-are-the-g7-nations-in-their-journeys-to-net-zero>.

<sup>4</sup>Source: Page 10, 2021 MSCI Investment Insights Report. For details, please refer to:

<https://www.msci.com/documents/1296102/22910163/MSCI-Investment-Insights-2021-Report.pdf>.

<sup>5</sup>MSCI. For details, please refer to:

<https://www.msci.com/documents/1296102/7943776/ESG+Investing+brochure.pdf/bcac11cb-872b-fe75-34b3-2eaca4526237>. (Page 5)

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