

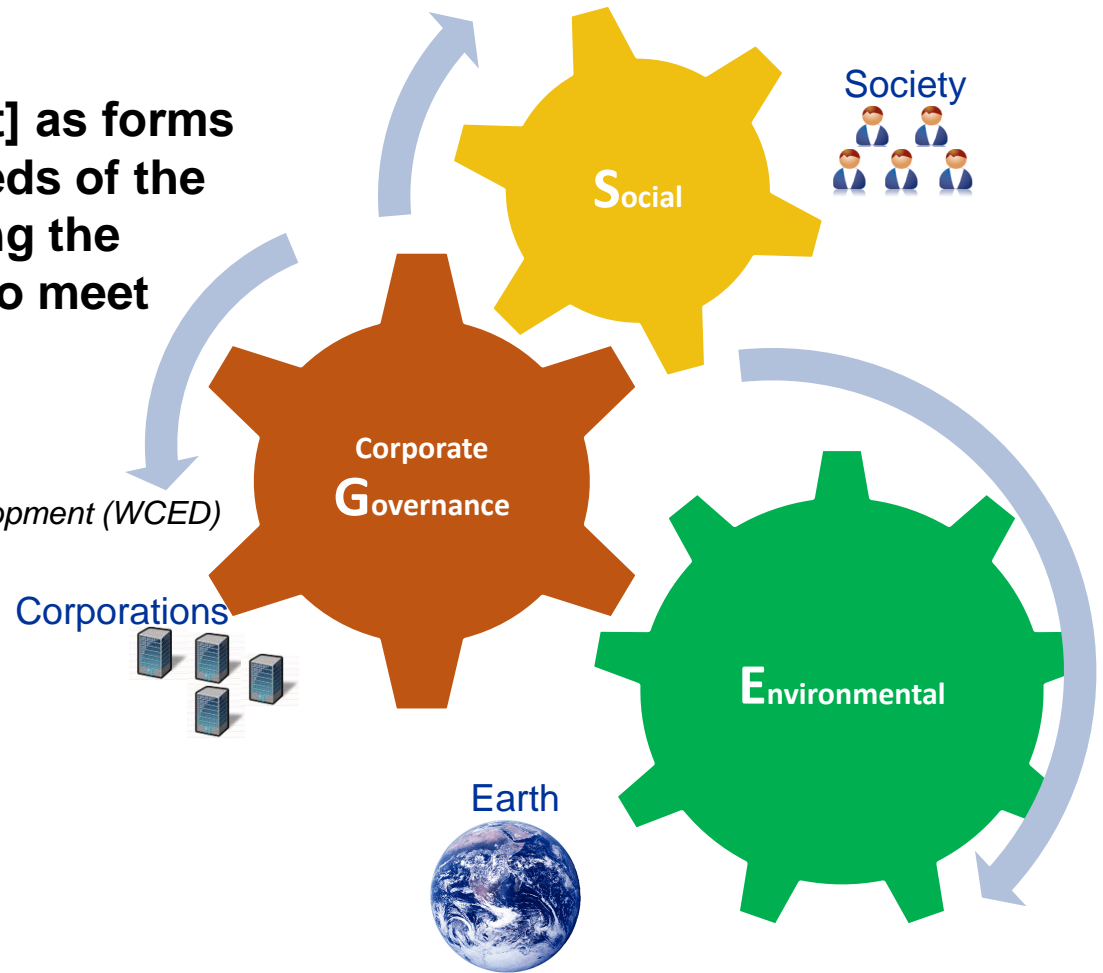


Promoting Sustainable Investment: Links between Sustainability Performance and Investment

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Director and General Manager
Hang Seng Indexes Company Limited
28 November 2014*

“...[Sustainable Development] as forms of progress that meet the needs of the present without compromising the ability of future generations to meet their needs.”

*Our Common Future, 1987
(also known as the Brundtland Report)
World Commission on Environment and Development (WCED)*



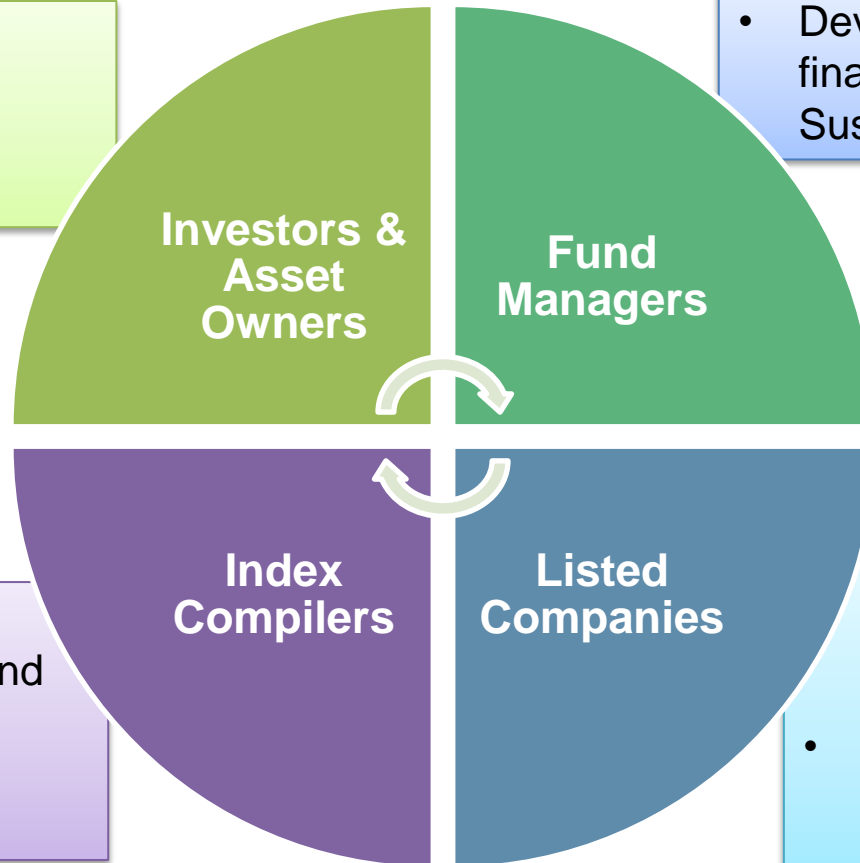
Key Players to Support Sustainable Investment



- Invest in sustainable investments
- Influence your asset managers



- Develop and promote financial products linked to Sustainability Index



- Provide a platform between investors and listed companies
- Provide Analytical Services/ ESG Data



- Participate in Sustainability Index annual review exercise
- Integrate sustainability factors in business decision-making process



What is Sustainable and Responsible Investment (SRI)?

- (SRI) is the integration of social and environmental criteria into investment decisions with the goal of aligning financial activities with social and environmental objectives, values, or beliefs. This is often achieved through negative or positive screening, as well as shareholder activism.

Source: Business for Social Responsibility's (BSR) report on "ESG in the Mainstream - The Role of Companies and Investors in Environmental, Social and Governance Integration"

- An investment discipline that considers environmental, social and corporate governance (ESG) criteria to generate long-term competitive financial returns and positive societal impact.

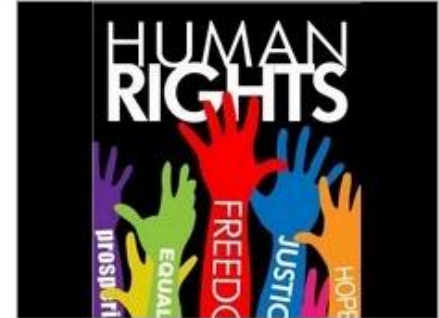
Source: The Forum of Sustainable and Responsible Investing (USSIF)



Positive Screening

Positive screening means that when investors that are interested in corporate social responsibility issues select their funds, they focus on funds that invest in companies that make positive contributions to society. Such contributions may include:

- Respect for labour relations
- Environmental care
- Emphasis on quality control & safety
- Attention to human rights' issues



Negative Screening

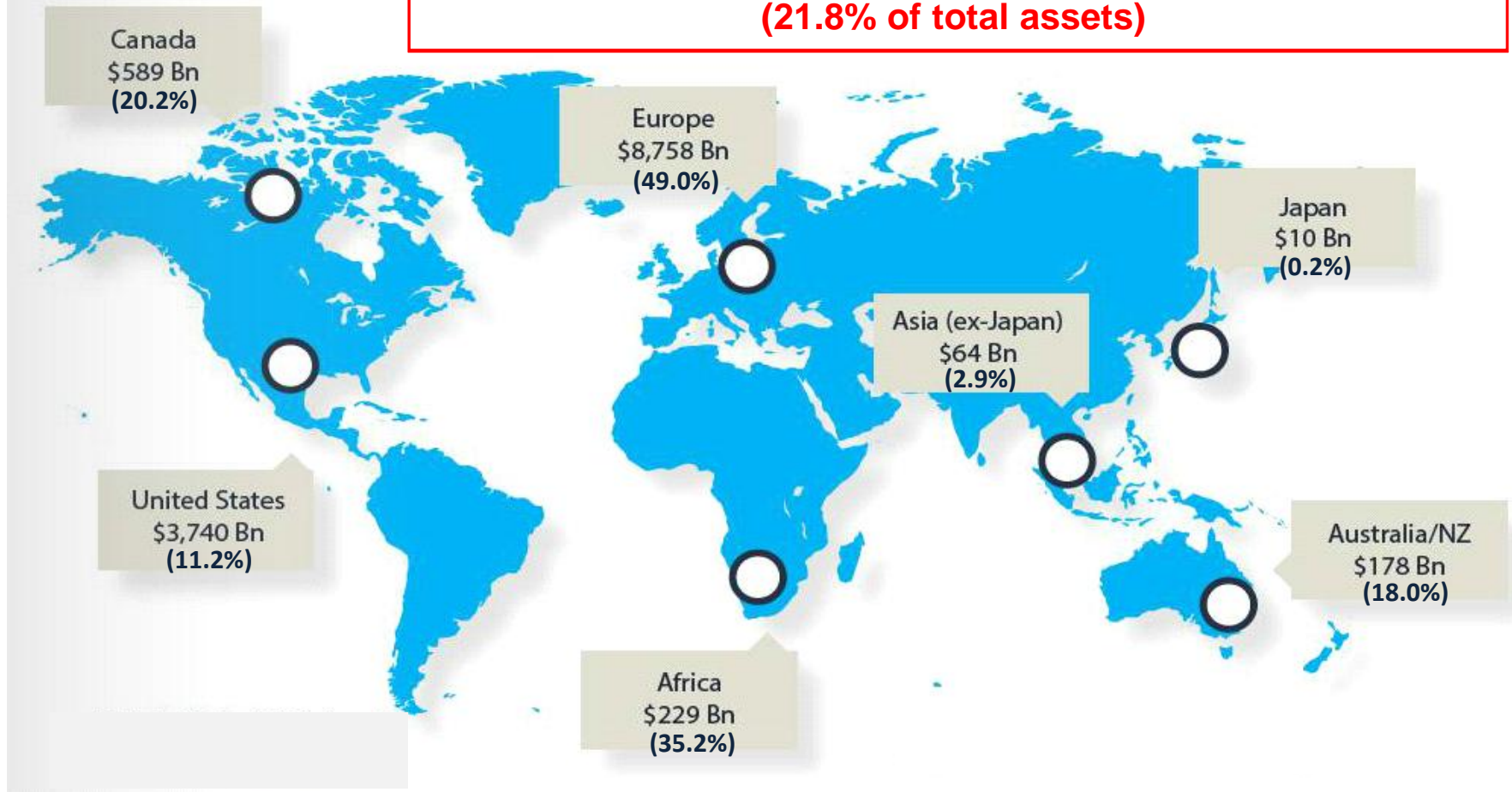
Negative screening means that socially responsible investors avoid funds that invest in companies that are involved activities that may have a negative impact on society, for example:

- Tobacco / Alcohol production
- Lack of respect for labour relations
- Lack of environmental consideration
- Gambling industry
- Weapons manufacturing



An Overview of Global SRI

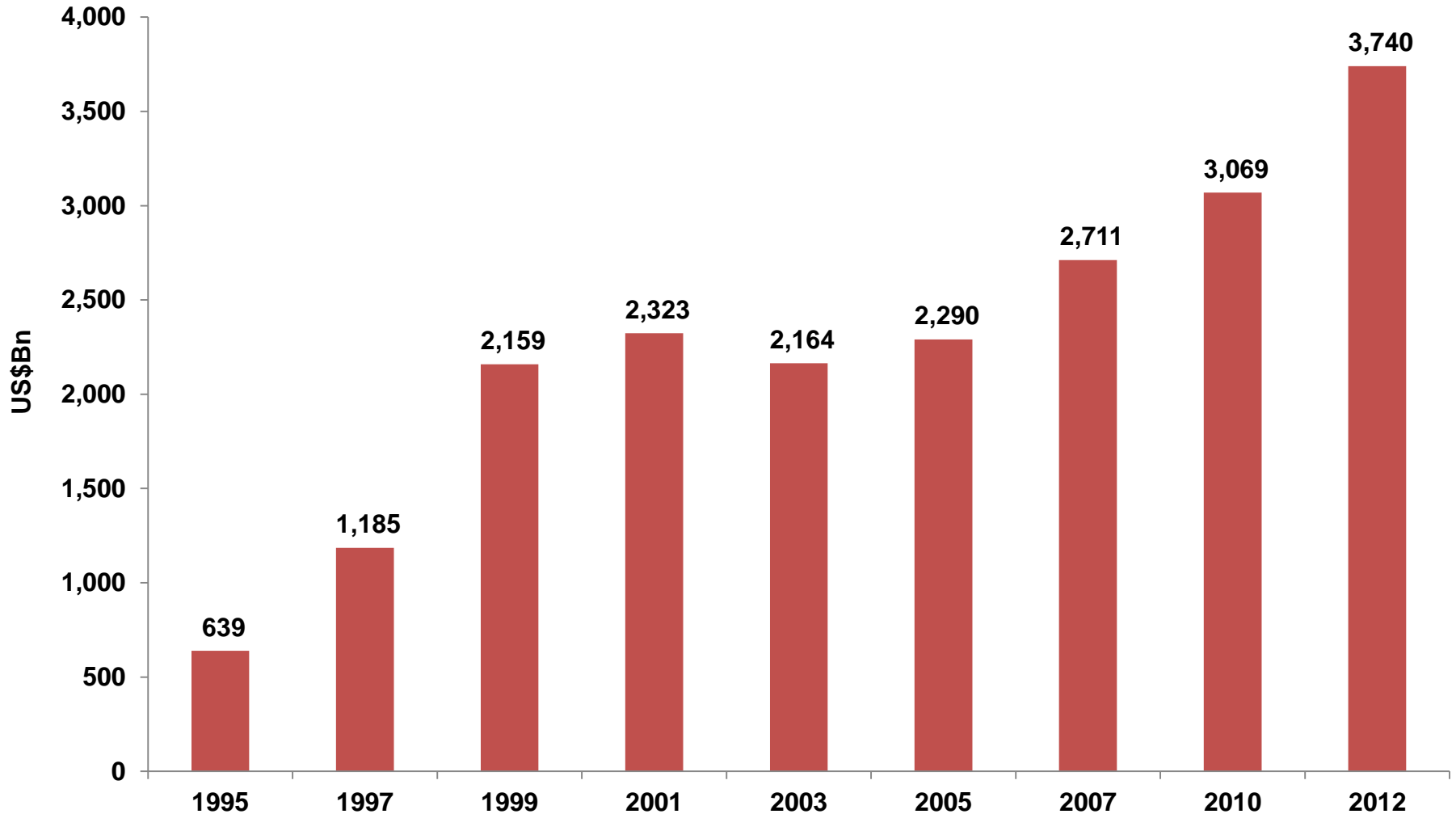
**Total Global SRI Assets around US\$13.6 trillion
(21.8% of total assets)**



() Relative proportion of ESG assets in total assets under management by region

Source: GSIA Global Sustainable Investment Review 2012

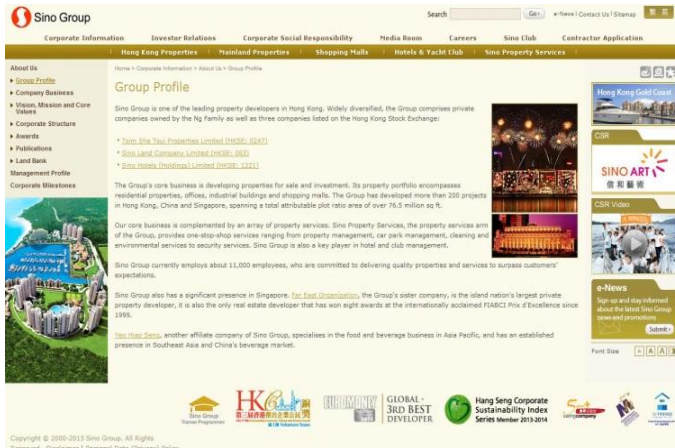
Recent SRI Trends in the US



According to The Forum for Sustainable and Responsible Investment, SRI in the US rose from US\$639Bn in 1995 to US\$3.7Tn in 2012 – a 486% increase.

Source: The Forum of Sustainable and Responsible Investing (USSIF)

Corporations Showing Interest

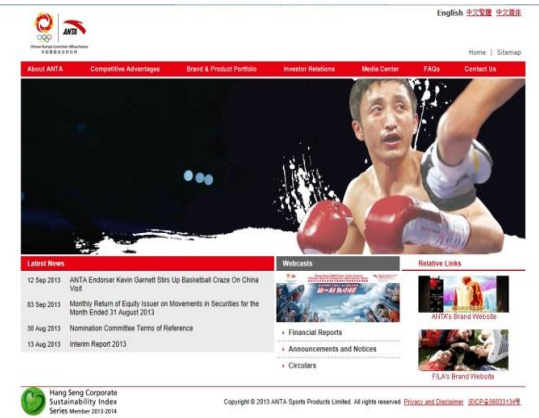
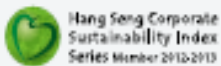


Hang Seng Corporate Sustainability Index Series Member 2014-2015

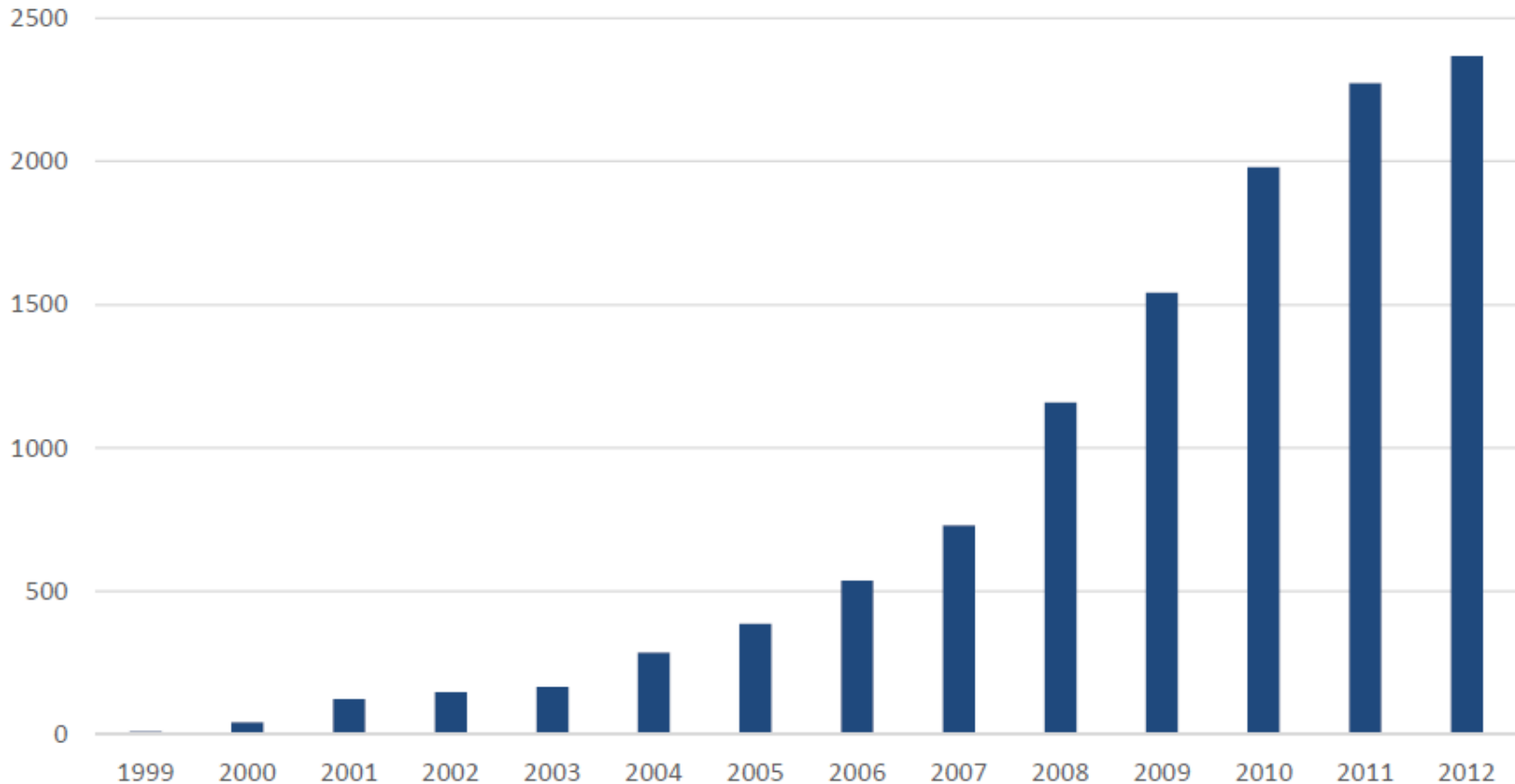
48 companies use our index mark

Community

- Constituent member of Dow Jones Sustainability Index, FTSE4Good Index and Hang Seng Corporate Sustainability Index, three of the best known indices to track responsible business practices in the world



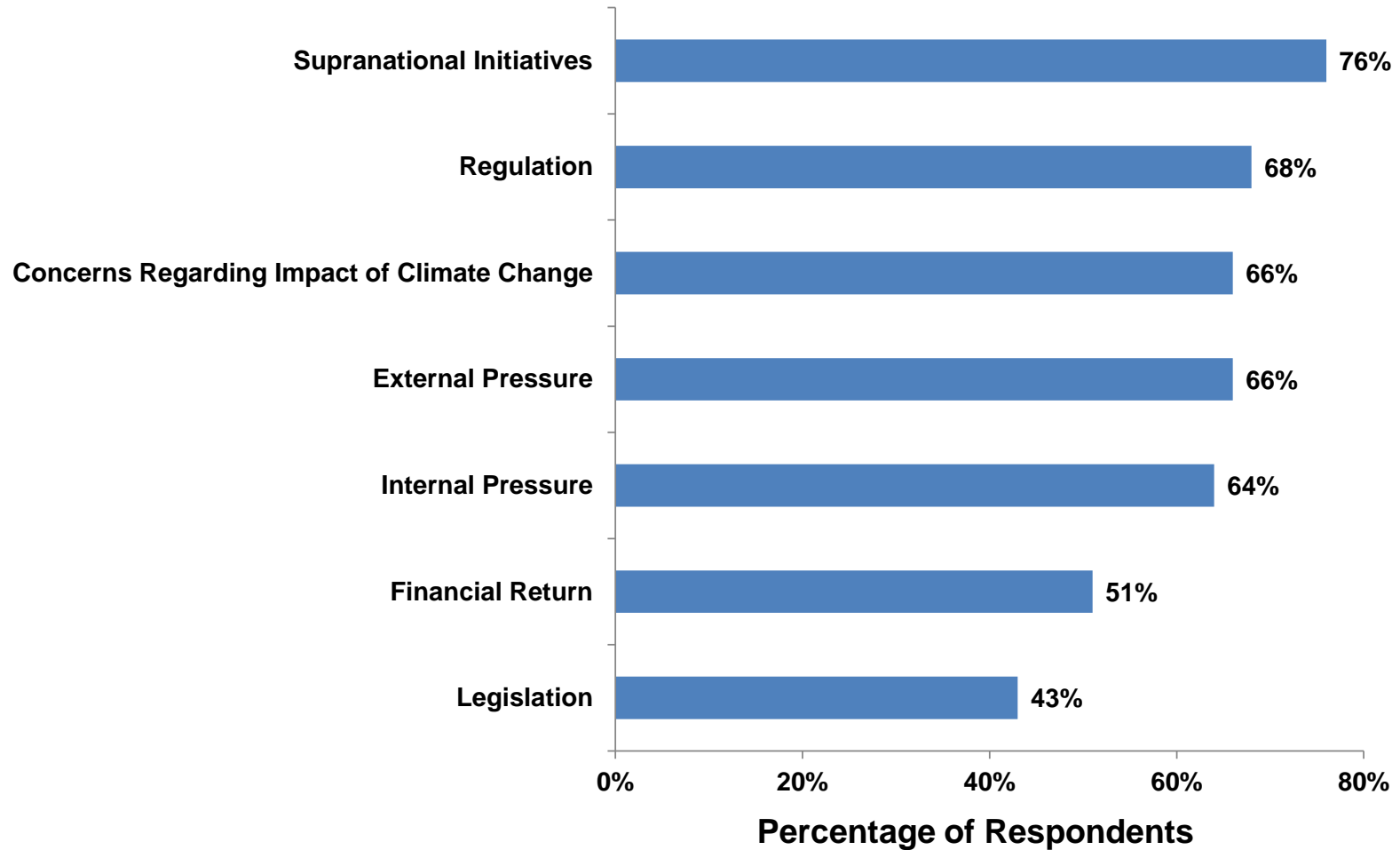
Upward Trend in Global GRI Reporting



The number of corporate sustainability reports produced in accordance with the GRI G4 framework is increasing

Source: 2012 Global Conference on Sustainability and Reporting : NGO Round Table –GRI Reporting Statistics

Perception of ESG Drivers in the next 3 to 5 years



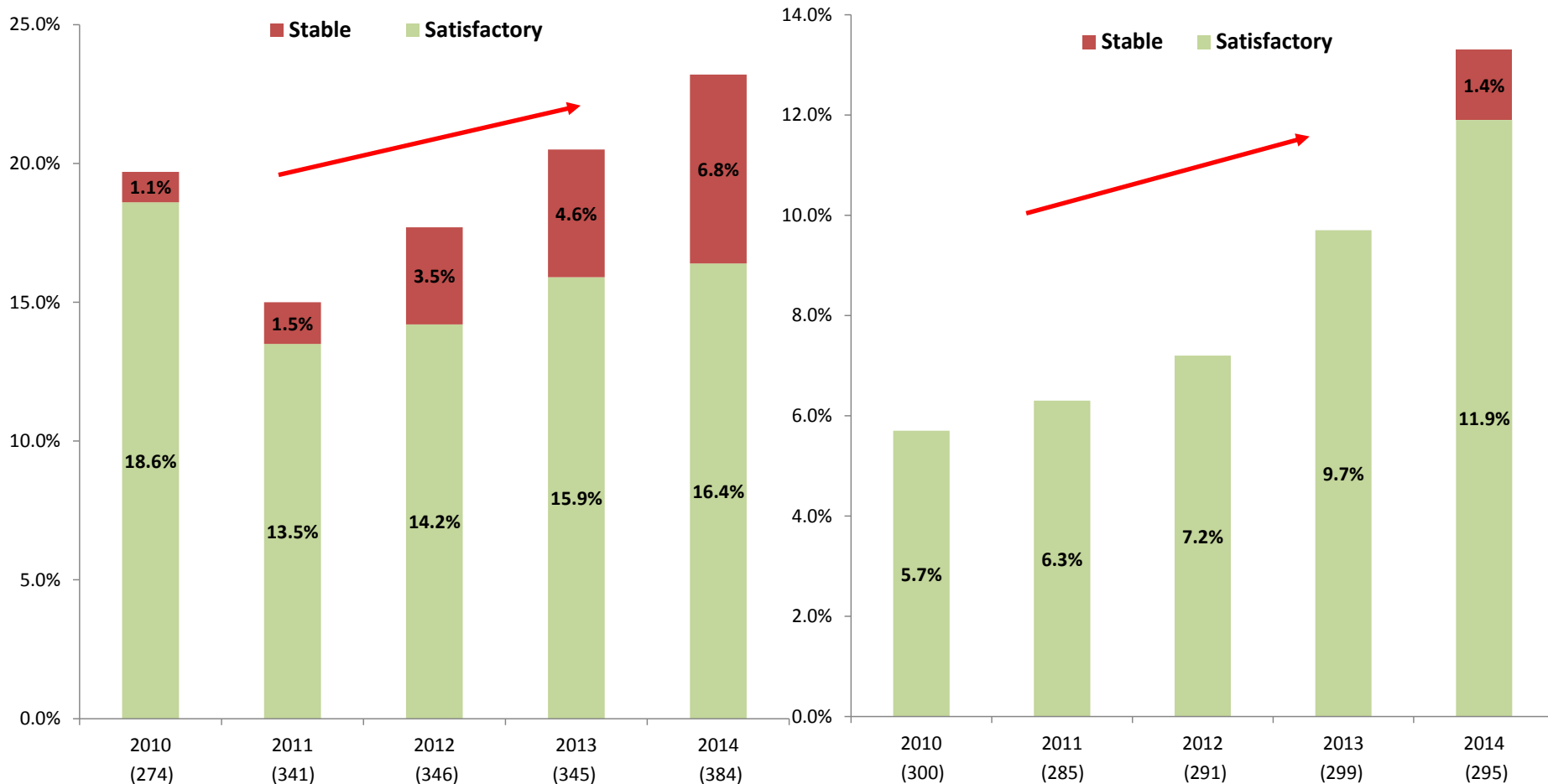
Source: Business for Social Responsibility's (BSR) report on "ESG in the Mainstream- The Role of Companies and Investors in Environmental, Social and Governance Integration"

Improving Corporate Sustainability Performance

Percentage of Companies Rated as Satisfactory/Stable over Total Number of Companies Assessed

Hong Kong

China A-Share



Description	Reliable			Stable			Satisfactory					Unstable	Vulnerable
	AA+	AA	AA-	A+	A	A-	BBB+	BBB	BBB-	BB+	BB	B	C
Corporate Sustainability Ratings													

Source: Results of 2010 – 2013 Reputex's Assessment and 2014 HKQAA's Assessments

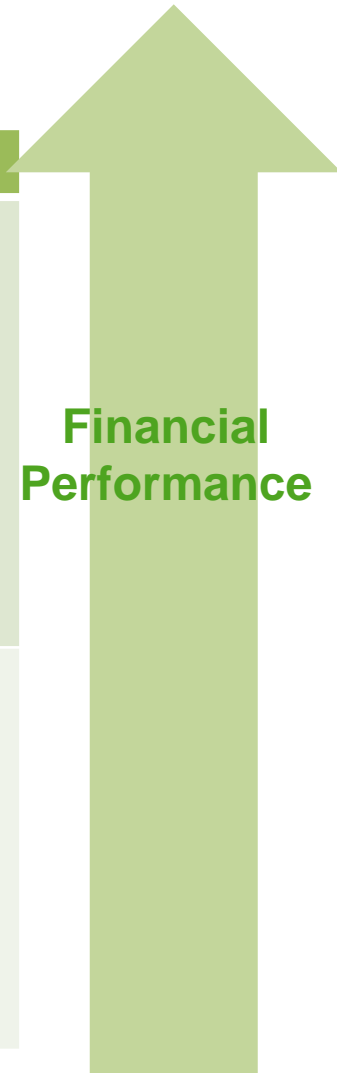


Sustainability Index acts as a simple tool for investors to select the best companies in terms of corporate sustainability

Relationships between Corporate Sustainability and Financial Performance

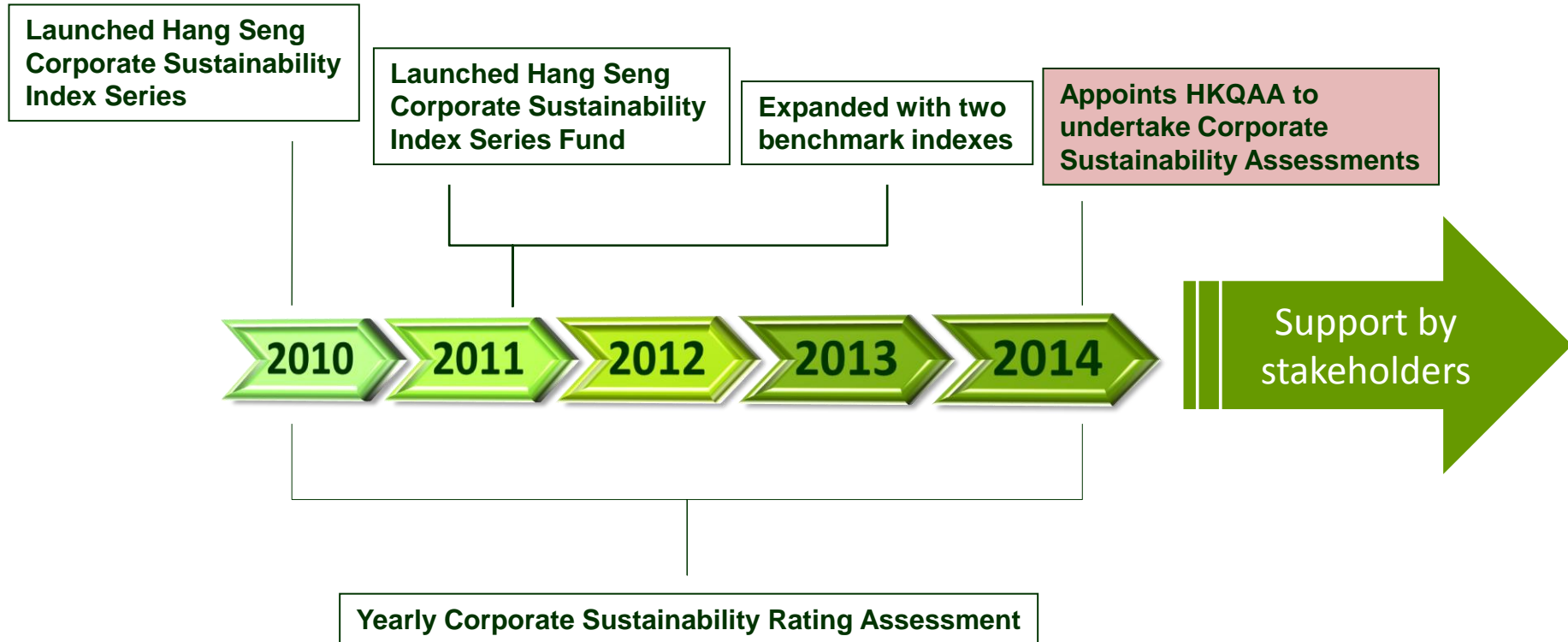


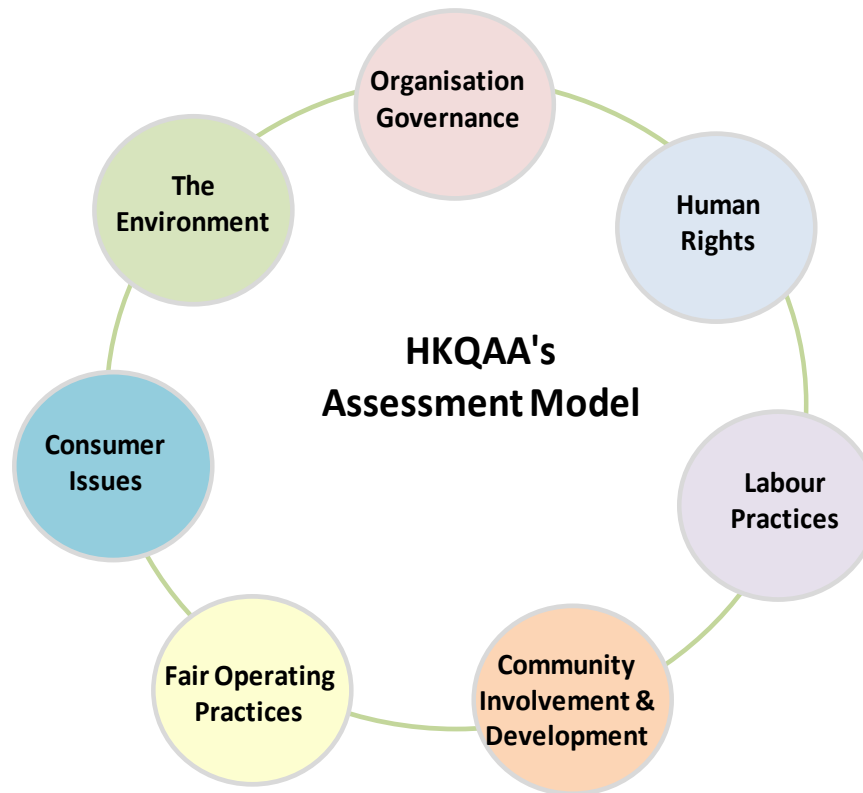
Studied by:	Findings:
Harvard Business School	<ul style="list-style-type: none">• Sustainability leaders tend to have better stock performance, lower volatility, and greater returns on assets (ROA) and equity (ROE).• Suggests this outperformance is based on superior governance structures and better constructive engagement with stakeholders.
Mercer	<ul style="list-style-type: none">• Examines the link between ESG issues and financial performance through existing academic and broker research.• Of 36 studies Mercer reviewed through 2009, 86% show either a neutral or positive impact of ESG factors on risk and return.



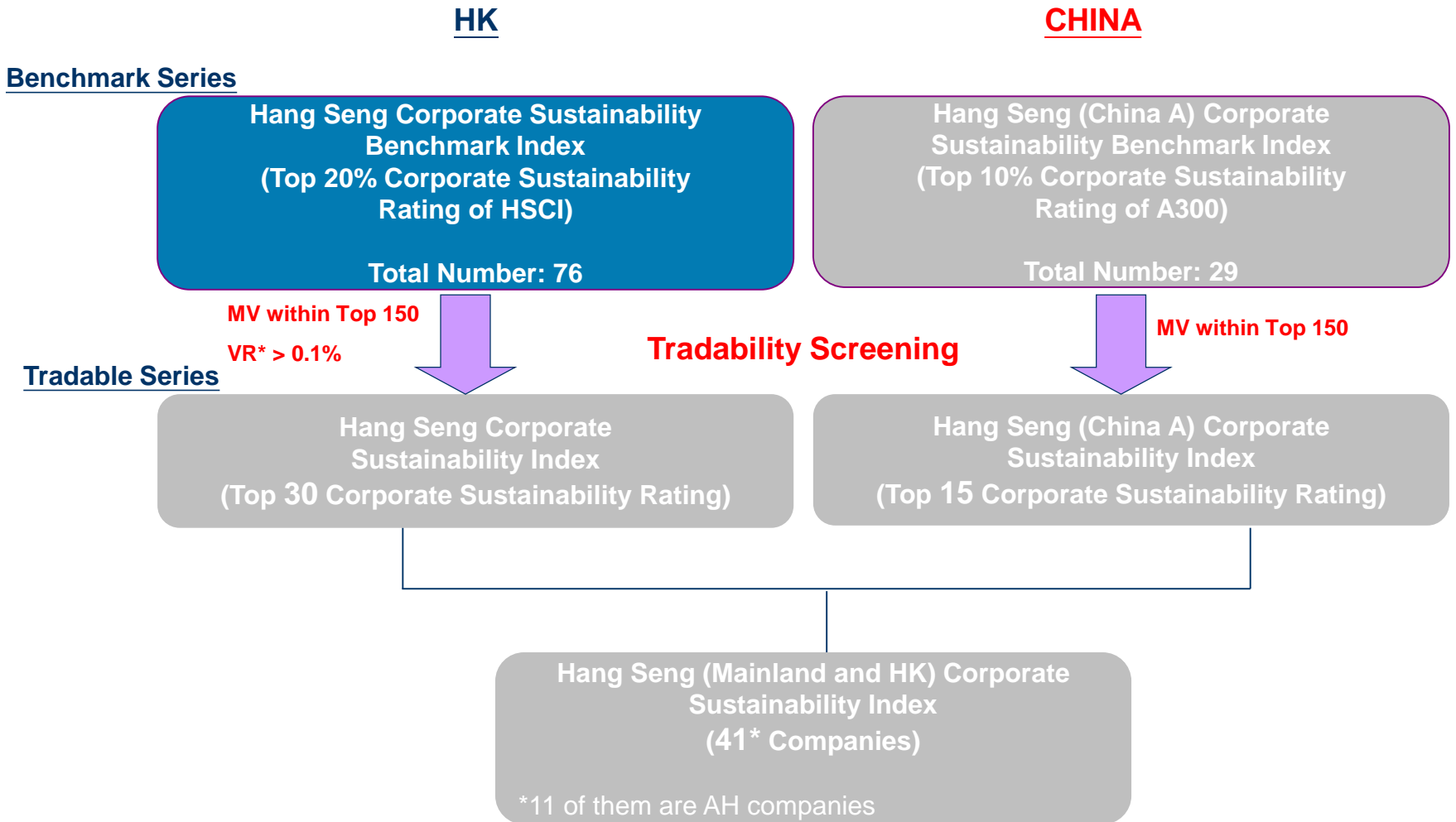
Source:
- Eccles, Robert G.; Ioannou, Ioannis; Serafeim, George "The Impact of a Corporate Culture of Sustainability on Corporate Behavior and Performance". Harvard Business School Working Paper 12-035, November 04, 2011.
- Mercer, "Responsible Investment's second decade: Summary report of the state of ESG integration, policy and reporting", August 2011.

Milestones since launch and future development



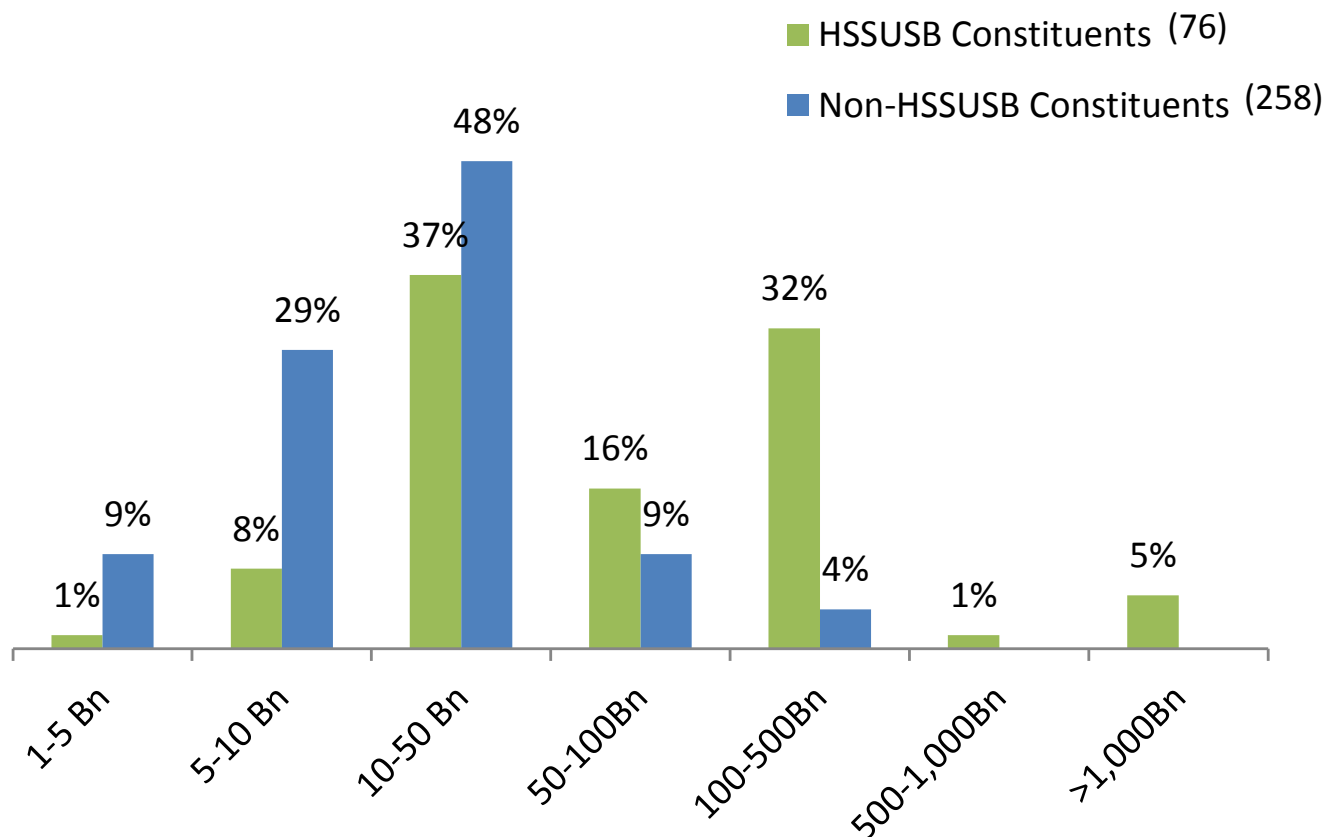


- Formulated by HKQAA with reference to several international standards – such as the GRI G4 Sustainability Reporting Guidelines, and ISO 26000 Social Responsibility Guidelines



Market Value: Constituents vs Non-constituents

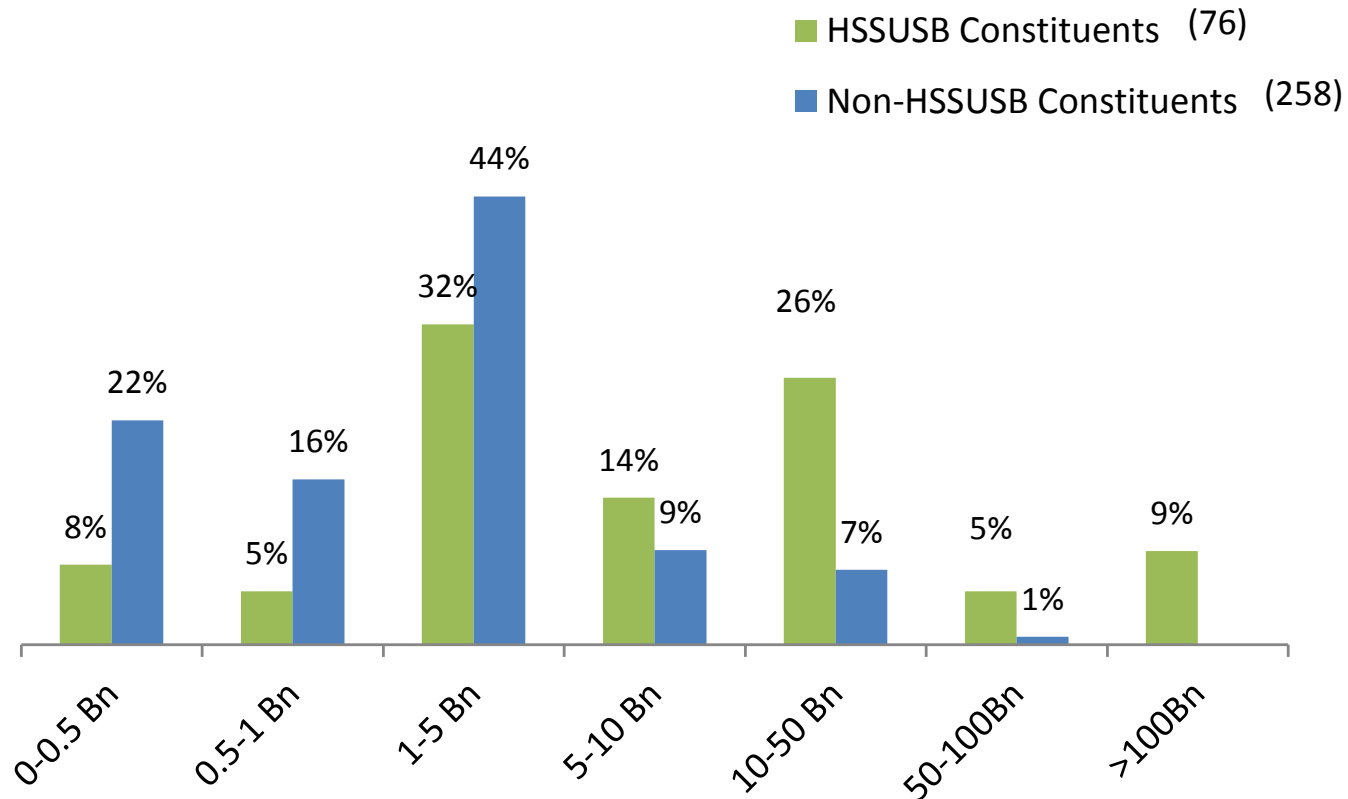
Market Value Distribution
(in terms of no. of companies)



Data as of the latest fiscal year

Profitability: Constituents vs Non-constituents

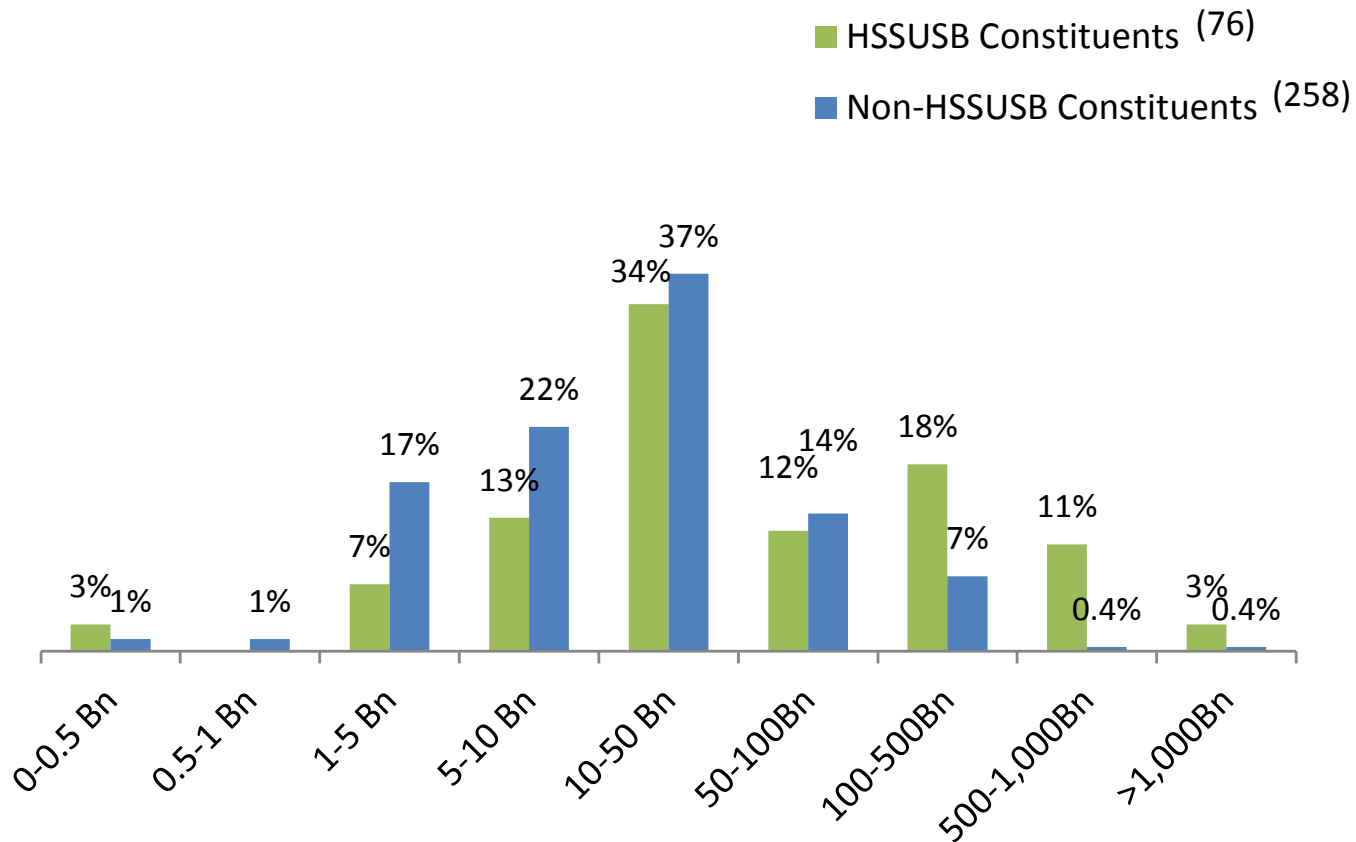
Profit Distribution
(in terms of no. of companies)



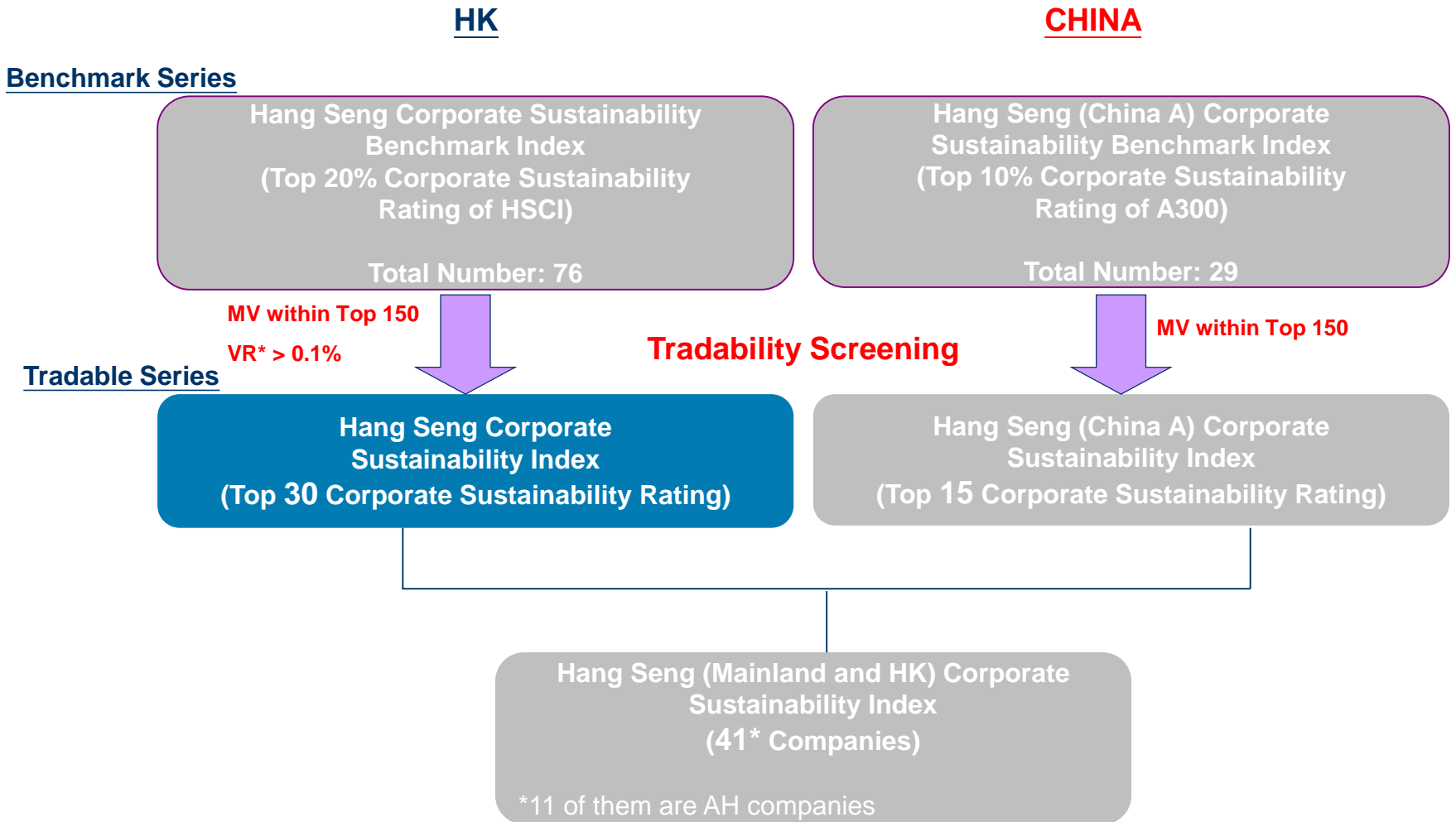
Data as of the latest fiscal year

Revenue: Constituents vs Non-constituents

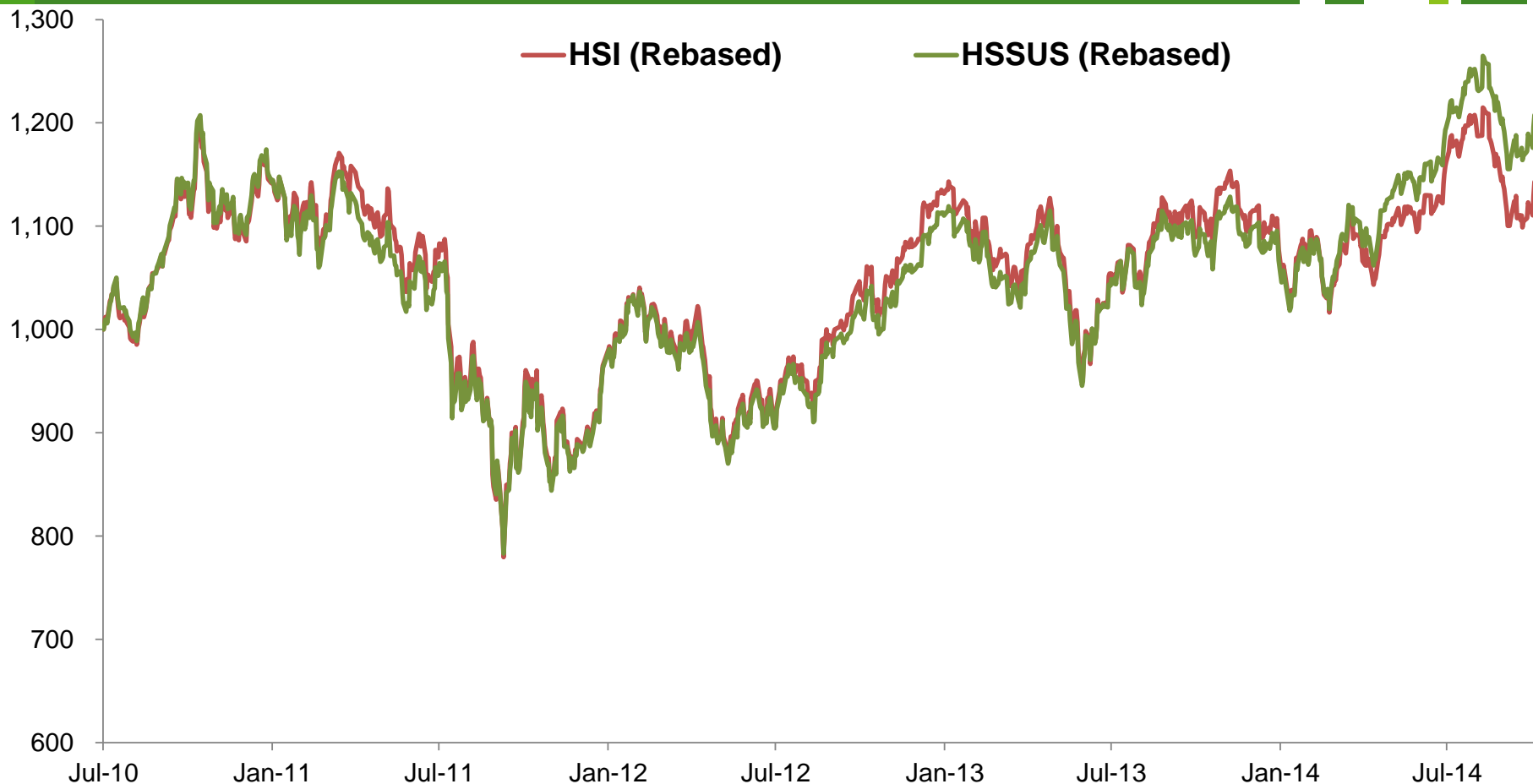
Revenue Distribution
(in terms of no. of companies)



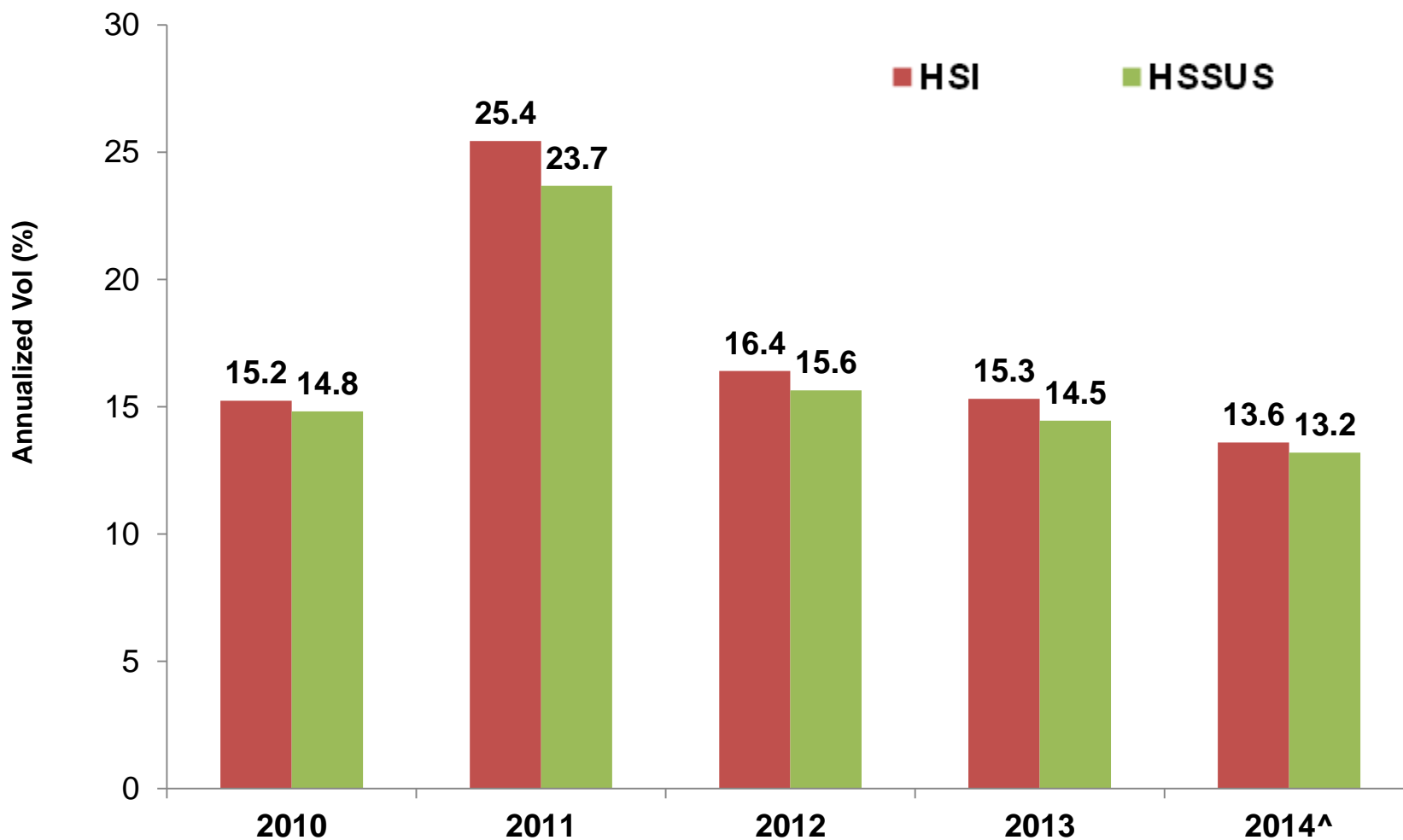
Data as of the latest fiscal year



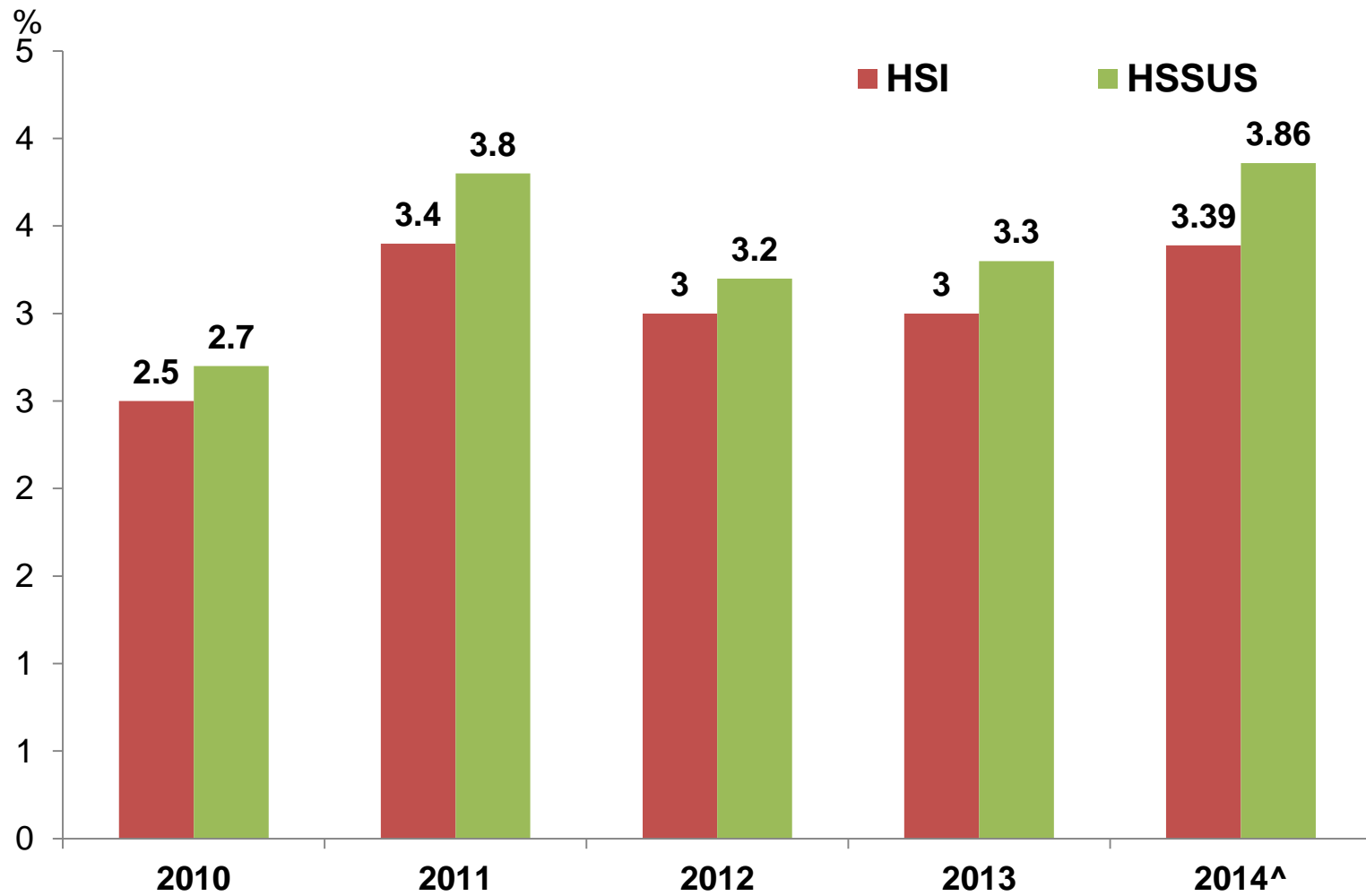
Index Performance



Period		2010*	2011	2012	2013	2014^
Return (%)	HSI	10.5	-20.0	22.9	2.9	3.0
	HSSUS	11.1	-20.5	20.2	3.8	10.6
Past		1 mth^	3 mths^	6 mths^	1 year^	3 year^
Return (%)	HSI	0.3	-3.1	8.4	3.4	20.8
	HSSUS	-0.6	-0.3	12.2	11.5	29.4



Higher Dividend Yield





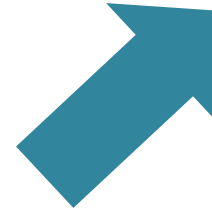
Hang Seng Corporate
Sustainability Index
Series Member 2014-2015

Aspire to be the best

Embrace ESG



**Sustainable
investment**





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Thank you!



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