

ESG INVESTING POST COVID-19 – SHAREHOLDER VS. SOCIAL VALUE, DATA APPLICATION, AND REGULATORY DRIVERS IN GREATER CHINA

Presenters:

Jason Tu, Co-Founder & CEO, MioTech

Mary Leung, CFA, Head, Advocacy, Asia-Pacific, CFA Institute



ESG IN THE TIME OF COVID-19

Bloomberg

ESG a Win for Stocks, Less So for Bonds Amid Covid-19

THE WALL STREET JOURNAL.

Coronavirus Pandemic Could Elevate ESG Factors

FINANCIAL TIMES

ESG passes the Covid challenge



South China Morning Post

Coronavirus strengthens case for sustainable investing as ESG stocks outperform market in crisis

ET Markets

Covid-19 is proving to be the litmus test for ESG investing

Forbes

Covid-19 Is Accelerating ESG Investing And Corporate Sustainability Practices



ETF TRENDS

ESG Investing Could Get a Lift From Retirement Plan Focus

THE Asset 財資

Covid-19 crisis could turn into the ESG era

GlobalCapital

Covid cuts flow of green bonds and loans, but not their appeal

funds europe

Covid-19 could shape ESG investing “for years to come”

ASIAN PRIVATE BANKER

PB CEOs optimistic about growth of ESG investment in Asia after COVID-19



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ESG Investing Post COVID-19

Value, Technology, and Regulation



Jason Tu, Co-founder & CEO, MioTech

June 9, 2020



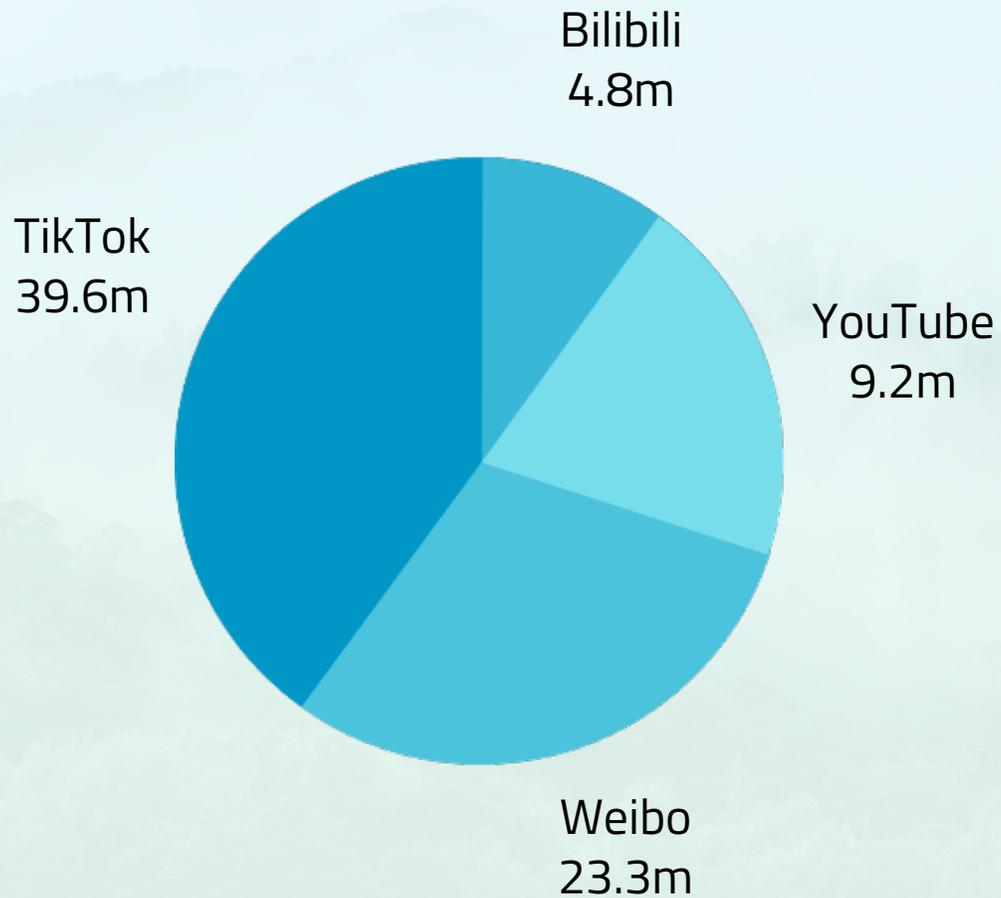


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#垃圾分類	3.5b
#環保	1.74b
#保護地球	60.39m

Coronavirus: Nature is sending humanity "a message"

The UN's environment chief,
Inger Andersen on the coronavirus pandemic

**We are in a
once-in-a-century
Great Paradigm Shift**

Financial Value



Social Value



GenZ's Social Value



E

Environmental

環境

S

Social

社會

G

Governance

公司治理

A New Financial Valuation Framework

Value

Passion



Valuation

Data

Traditional Financial Valuation

1. Consolidated Financial Results Amount: millions of yen

	12/2016	12/2015	Changes		12/2017	Changes	12/2017	Changes
	Result	Result			Forecast		Forecast	
	Full year	Full year	Amount	Ratio	Full year	Amount	1st half	Amount
Net Sales	170,093	171,916	-1,823	-1.1%	177,000	+6,906	84,000	+4,015
Operating Income	18,499	20,142	-1,642	-8.2%	20,000	+1,500	9,000	+1,221
Operating Income Ratio	10.9%	11.7%	-0.8P		11.3%	+0.4P	10.7%	+1.0P
Ordinary Income	18,279	19,639	-1,360	-6.9%	19,300	+1,020	8,700	+1,102
Ordinary Income Ratio	10.7%	11.4%	-0.7P		10.9%	+0.2P	10.4%	+0.9P
Net Income attributable to Owners of Parent	12,962	13,282	-320	-2.4%	13,000	+37	5,500	+1,371
Net Income Ratio	7.6%	7.7%	-0.1P		7.3%	-0.3P	6.8%	+1.3P
US\$	108.78	121.10	-12.32		110.00	+1.22	110.00	-1.70
Euro	120.26	134.31	-14.05		120.00	-0.26	120.00	-4.52

2. Consolidated Segment Results Amount: millions of yen

	12/2016	12/2015	Changes		12/2017	Changes	12/2017	Changes
	Result	Result			Forecast		Forecast	
	Full year	Full year	Amount	Ratio	Full year	Amount	1st half	Amount
Net Sales								
Automotive	62,207	65,436	-3,228	-4.9%	67,000	+4,792	30,000	+1,871
Process&Environmental	16,753	16,708	+44	+0.3%	18,000	+1,246	8,000	+201
Medical	26,564	27,669	-1,104	-4.0%	25,000	-1,564	12,000	-1,800
Semiconductor	38,828	35,353	+3,475	+9.8%	41,000	+2,171	22,000	+4,104
Scientific	25,738	26,748	-1,009	-3.8%	26,000	+261	12,000	-361
Total	170,093	171,916	-1,823	-1.1%	177,000	+6,906	84,000	+4,015
Operating Income								
Automotive	3,529	5,200	-1,670	-32.1%	5,200	+1,670	1,800	+1,245
Process&Environmental	1,540	1,756	-215	-12.3%	1,600	+59	500	-367
Medical	2,806	2,558	+247	+9.7%	2,200	-606	1,000	-593
Semiconductor	9,678	9,429	+249	+2.6%	10,000	+321	5,500	+1,016
Scientific	944	1,197	-252	-21.1%	1,000	+55	200	-80
Total	18,499	20,142	-1,642	-8.2%	20,000	+1,500	9,000	+1,221

Financial Value
=
Shareholder Value
+
Social Value



The CEOs of nearly 200 companies just said shareholder value is no longer their main objective

PUBLISHED MON, AUG 19 2019-7:38 AM EDT | UPDATED MON, AUG 19 2019-2:07 PM EDT



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KEY POINTS

- The Business Roundtable, a group of chief executive officers of nearly 200 major U.S. corporations, issues a statement with a new definition of the “purpose of a corporation.”
- The reimagined idea of a corporation drops the age-old notion that they function first and foremost to serve their shareholders and maximize profits.
- Investing in employees, delivering value to customers, dealing ethically with suppliers and supporting outside communities are now at the forefront of American business goals.



How to measure Social Value?

Traditional Datasets : Based on Financial Reports

Alternative Data

Luckin Coffee Faces Fraud Allegations from Anonymous Report

A document states it has evidence from videotapes and thousands of receipts.

FAST FOOD | JANUARY 2020 | BEN COLEY

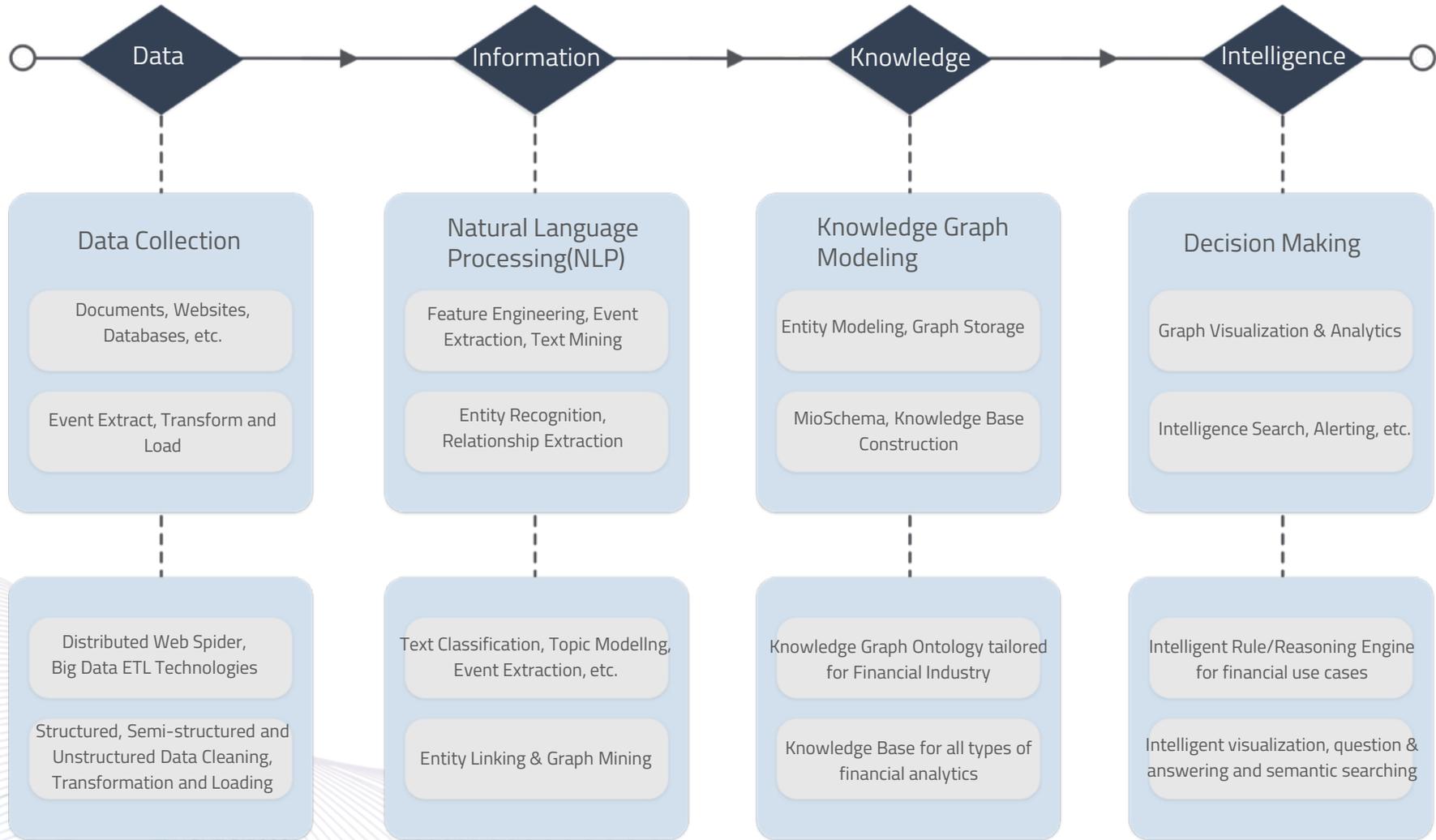


ISTOCK/JULIEN VIRY

The company was founded in Beijing in 2017 and has since grown to more than 4,500 stores.

Luckin Coffee, a Chinese chain often labeled a threat to Starbucks' market share in the region, could be in hot water after short seller Muddy Waters received an 89-page, anonymous report alleging several instances of fraud.

FREQUENT | OBJECTIVE | ACCURATE | COMPREHENSIVE



1\$ = 1\$

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? = 1\$

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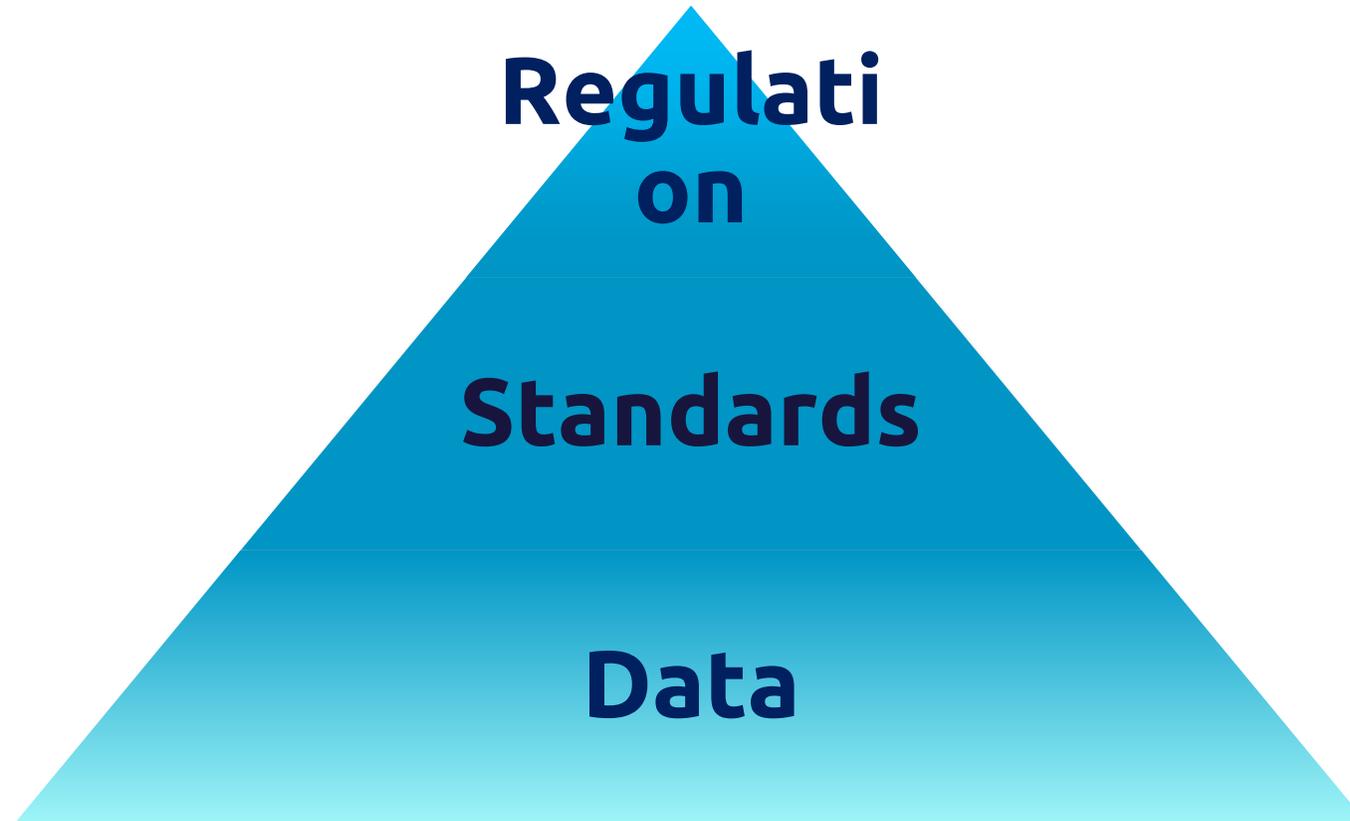
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ESG-based Valuation: Technology + Standard Setting



Regulatory Movements

Sustainable Development has been elevated to China's national strategy

Banking and Insurance:

- On **Jan 3, 2020**, CBIRC (China Banking and Insurance Regulatory Commission) upped the ante by issuing "Guiding Opinions on Promoting the High-quality Development of the Banking and Insurance Industry", calling for China-based banks and non-banking financial institutions to establish and incorporate ESG requirements.

<http://www.cbirc.gov.cn/cn/view/pages/ItemDetail.html?docId=881921&itemId=861&generalType=1>

<https://www.climatebonds.net/2020/01/you-have-love-china%E2%80%99s-banking-regulator-cbirc-they%E2%80%99ve-just-announced-big-push-banks-have>

Securities:

- On **Sep 30, 2018**, CSRC announced that according to its three step approach, environmental disclosure will be mandatory for all A-Share listed companies by 2020

http://www.csrc.gov.cn/pub/csrc_en/laws/rfdm/DepartmentRules/201904/P020190415336431477120.pdf

Asset Management:

- **Nov 2019**, The Asset Management Association of China published the 3rd version of its ESG Ratings System Research, encouraging all asset managers in China to adopt rigorous ESG standards

<http://www.amac.org.cn/industrydynamics/guoNeijiaoLiuDongTai/jihywhjs/esg/202001/P020200120447423886721.pdf>

Hong Kong

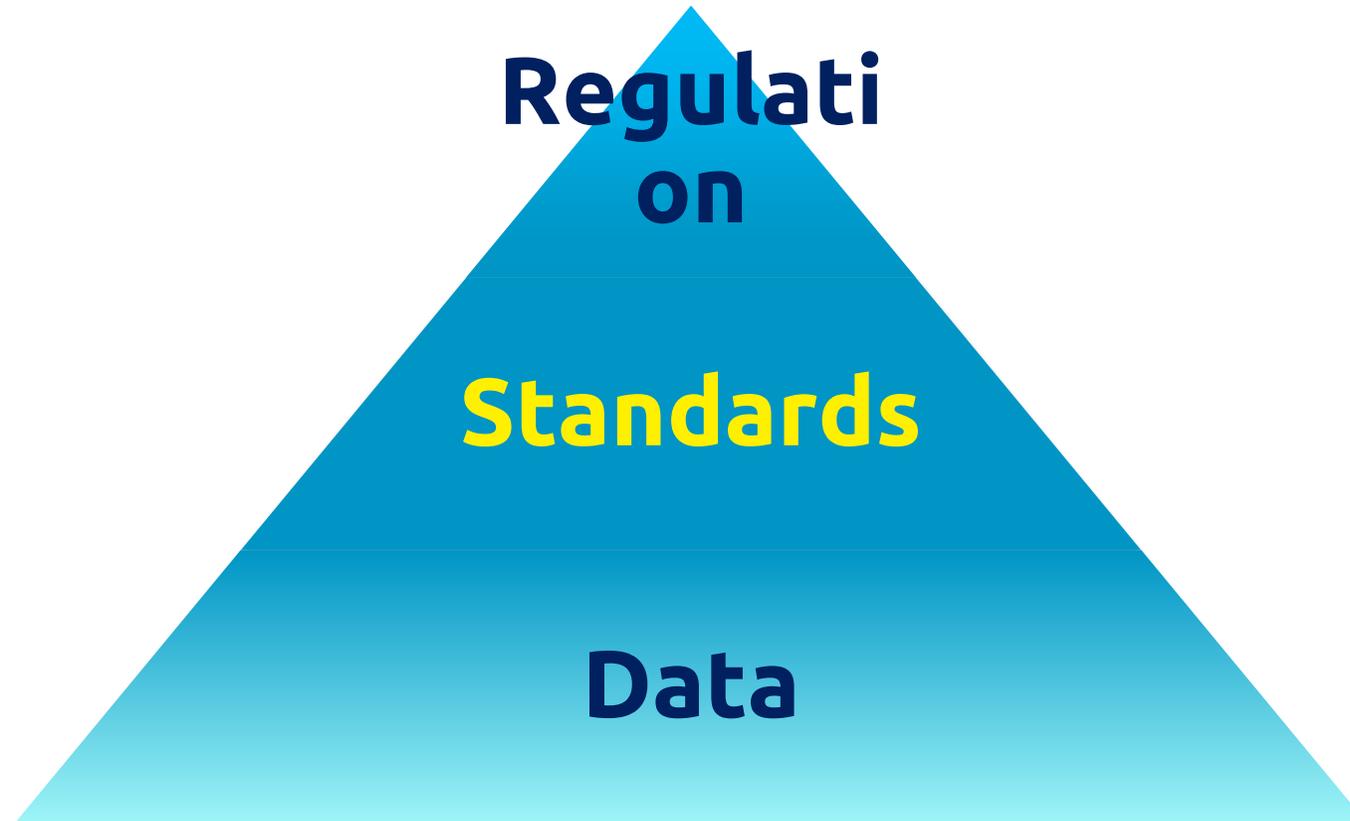
- On **Dec 19, 2019**, HKEX published its analysis on consultation paper on ESG. It mandates all listed companies to strengthen their disclosure of relevant ESG topics further, including board oversight, advocate of quantitative measures, mentions of supply chains etc.

https://www.hkex.com.hk/News/News-Release/2019/191218news?sc_lang=en

New Foreign Ownership Rules Created an Influx of Foreign FIs with ESG Mandates

- Starting **April 1, 2020**, foreign financial institutions are allowed 100% of their China Subsidiaries, especially in Asset Management and Brokerage. Chinese Asset Managers feel the urge to speak the same language with their foreign competitors/asset owners.





ESG - The China Challenge

State Ownership
Anti-Corruption
Poverty
Elimination

...

Employment Discrimination

China needs to have its own ESG Standards

Why I'm Giving This Talk:

ESG Ecosystem

We have built the data foundation.

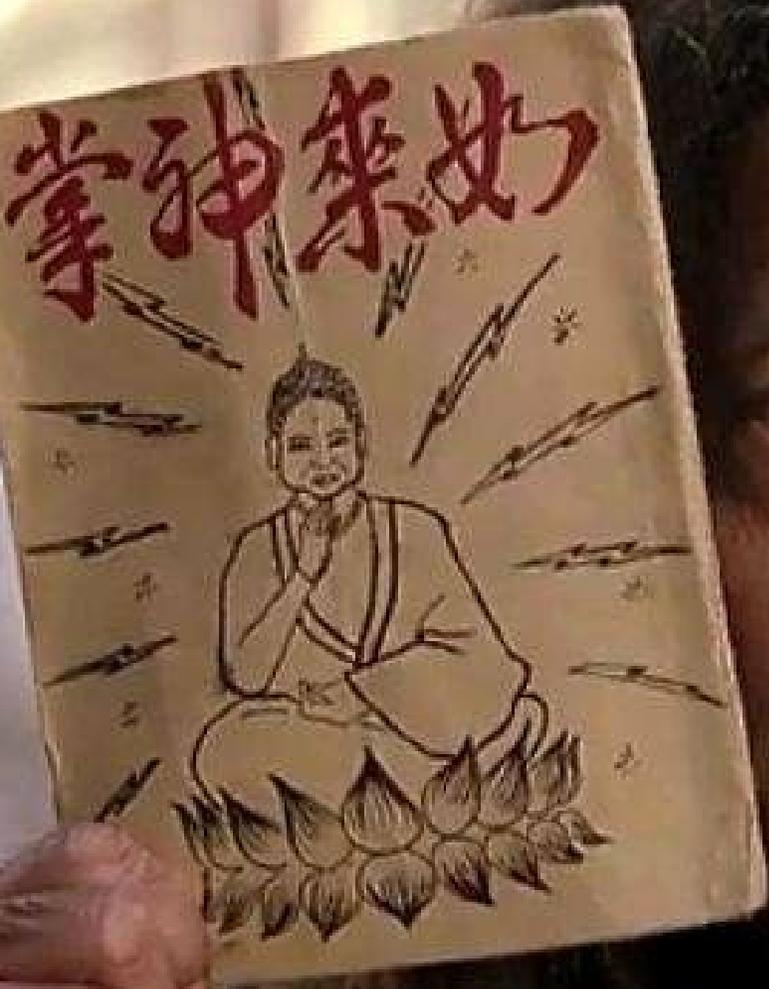
We aspire to collaborate with the industry to set standards.

We empower regulations to roll out policies.



The screenshot displays the WEALTHLINK ESG Ecosystem interface. At the top, the MIOTECH logo and search bar are visible. The main content area shows the profile for Anhui Jianghuai Automobile Group Corp., Ltd. (600418), including its stock price (CNY 80.550, +1.00 +1.23%), ESG score (73, A+), and various ESG metrics (Environmental: 99, Social: 69, Governance: 48). The interface also features a 'Key Indicators (Peer Comparison) 2020' section and a 'News' section. The bottom part of the screenshot shows a navigation menu with options like 'Securities Information', 'Financials', 'Investment Activities', and 'Company Filings'.

**World Peace is in
your hands**



M

ESG Investing Post COVID-19

Value, Technology, and Regulation



Jason Tu, Co-founder & CEO, MioTech

June 9, 2020

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VALUE VERSUS VALUES

“Which best describes your interest in ESG investing?”

asked of those with an interest in ESG Investing

- I expect ESG investing to result in higher risk-adjusted returns
- I want to express personal values or invest in companies that have a positive impact on society or the environment
- Both

Institutional



Retail



25-34



35-44



45-54



55-64

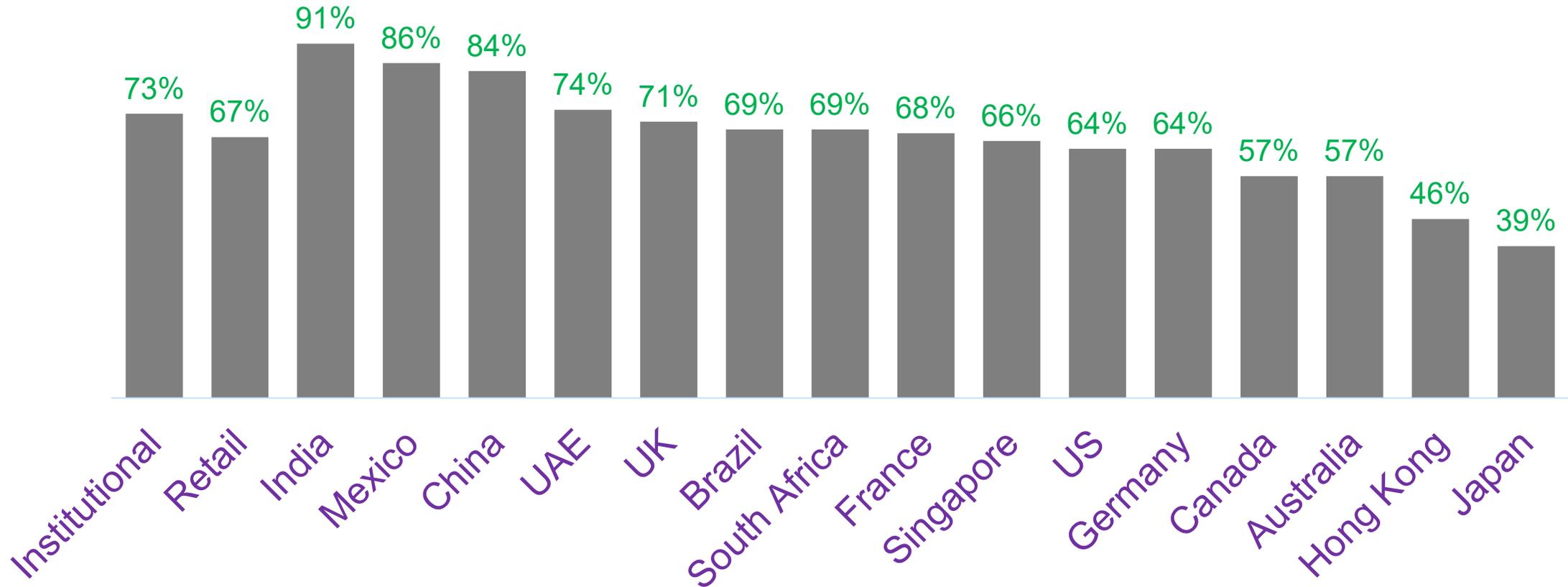


65+



INVESTOR VIEWS ON RETURNS VS VALUES-BASED OBJECTIVES

Investors willing to give up some return for a values-based objective



Base: asked only of those with a values-based objective, 1454 retail investors, 264 institutional investors
Collected Oct/Nov 2019



THANK YOU

