



SRI MARKETS IN ASIA

HONG KONG

By Yulanda Chung

November 2001

Contents

	Page
1. Executive Summary	2
2. A Sizable Potential Market	3
3. MPF Presents Market Opportunities	5
3.1 A Snapshot of Hong Kong's Fund Management Industry	5
3.2 Retail Equity Market is Growing Rapidly	6
3.3 An Emerging Sophisticated Investor Market	7
4. Heightened Consciousness Towards SRI-Related Issues	8
4.1 Sustainable Development	8
4.2 Change of Corporate Attitude	10
4.3 Corporate Governance	11
4.4 The Public is Aware of Their Rights and Active in Politics	11
4.5 The Way Forward for the Environment	13
5. Appendix	14

ASRIA is funded by: Calvert Group, Domini Social Investments, Friends Ivory & Sime, Henderson Global Investors, Kingsway Fund Management, Morley Fund Management, The Women's Group of the Methodist Church USA, Zurich Financial Services, The Network for Social Change, Co-operative Insurance Services, KLD, Prudential UK, Trillium Asset Management



1. Executive Summary

Sustainable and responsible investment (SRI) has been growing rapidly in the US and Europe since the mid-1980s. In Asia there has been little development of SRI, except in Australia and Japan, up to the present. The long-held view has been that SRI is not suited to Asian investors. However, a similar view was once held in other SRI markets such as the UK and US, but history proved otherwise. There is every reason to believe Hong Kong is ready for SRI, that more funds will emerge this year and that SRI is here to stay. While acknowledging the current economic downturn, we believe SRI presents a relatively stable, long-term alternative investment for investors.

A SIZABLE POTENTIAL MARKET

Hong Kong presents a ripe market for launching SRI funds. Overseas experience shows that SRI investors are more likely to come from the caring professions such as medical professionals, teachers, social workers and charity organisations, NGOs and religious groups. Hong Kong has a sizeable pool of workers in these fields.

MPF PRESENTS OPPORTUNITIES

With the introduction of the pension scheme, the Mandatory Provident Fund (MPF), in December last year, significant new funds will flow to fund managers in Hong Kong. Every working person earning HK4,000 (US\$ 513.6) a month or more, who is not already on a recognised scheme, is required by law to contribute 5% of their salary to the MPF. Employers contribute the same percentage. One SRI option is already available to MPF investors, and logic suggests that SRI should be a cornerstone for pension portfolios in the future due to the long term nature of the investment. Contributors are, after-all, investing for a better future 30 years down the road. US, UK and Australian pension providers are already responding actively to this challenge.

HEIGHTENED CONSCIOUSNESS TOWARDS SRI ISSUES

With increased education levels and rising affluence, there is also increased public awareness towards SRI issues. Although the Hong Kong government has taken few initiatives to encourage public debate on issues such as sustainable development, existing market research shows that Hong Kong people are increasingly vociferous in their demand for a cleaner environment, better labour relations and corporate governance. Public debate about SRI-related issues are a trigger for the development of SRI funds.