

# More investors to support sustainable business models post-pandemic



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For The Straits Times

As the world grapples with the social, health and economic challenges caused by the Covid-19 pandemic, investor awareness of and demand for sustainable business models will become more prevalent.

The lessons from Covid-19 have shown that our lifestyles and the way businesses are run have a huge impact on the world in which we all live. We must make changes if we are to avoid repeat occurrences.

The investment community has a key role in supporting the growing emphasis on sustainability and environmental, social and governance (ESG) issues by channelling capital into sustainable companies.

While there are three “Rs” for environmental protection – reduce, reuse and recycle, we suggest another three “Rs” in identifying opportunities for sustainable investments.

## RESET BUSINESS NORMS

With the pandemic affecting almost every part of the world, we have seen borders closed, factories



shuttered and most people staying home. An unintended benefit from reduced activities is less pollution. This has given our planet a chance to enjoy cleaner air and clearer water.

While some think the positive environmental effects could be short-lived, certain behavioural changes may be here to stay.

For example, companies are likely to continue work-from-home arrangements even after the pandemic eases to keep up physical distancing in the short term and for greater flexibility in the long term.

The resetting of business norms will reduce the need for daily

commute and business travel, which will in turn help lower the carbon footprint from the transport sector, a major contributor of carbon emissions.

## RETOOL THE ORGANISATION

Typically tied closely to ESG matters, sustainability initiatives have inevitably been set aside by profit-driven companies. However, we observed that companies with a purpose beyond profit have been more resilient in the face of the pandemic.

Morningstar’s analysis showed 62 per cent of ESG-focused large-cap equity funds outperformed the MSCI World

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right policies and processes in place to ensure employee safety if they are to survive.

## REVISE INVESTMENT PORTFOLIOS

As companies refocus their sustainability priorities, they will present more opportunities for investments, creating a virtuous cycle with benefits for all.

In encouraging investors to revise their portfolios to include more sustainable investments, we highlight three sectors generating a positive ESG impact while experiencing increased demand amid the pandemic:

- **Technology:** With the use of technology, from information systems to video-conferencing tools and cyber security software, companies have adopted large-scale telecommuting during lockdowns. Technology has also made education less costly and more accessible online, especially for students who are underprivileged or in remote locations. Companies offering such technology could emerge as winners with favourable double bottom-line performance.
- **Healthcare:** The overwhelming healthcare crisis has revealed the fragility of many countries’ medical systems, characterised by inadequate lab testing capabilities, hospital capacity limitations and medical supply shortages. Companies with capabilities such as telehealth services and lab diagnostics can

help bridge the gap and strengthen medical infrastructure.

- **Insurance:** We have also learnt from the pandemic that we must always be prepared for low-probability, high-consequence events. In the near term, insurers will benefit from increased commercial demand for business interruption insurance and consumer demand for health insurance. For the long term, investment opportunities lie in the insurers that integrate ESG into their underwriting models to offer better risk protection and that promote renewable energy, clean water, food security, sustainable cities and disaster-resilient communities.

Sustainable investing is imperative to ensuring a secure future for generations to come.

Investors can do well by doing good by selecting investment solutions that are built on strong fundamental screening and comprehensive ESG considerations.

Asset managers that are signatories of the United Nations-supported Principles for Responsible Investment, such as UOB Asset Management, will also help to manage their assets responsibly and sustainably.

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