

IBSS RESEARCH SEMINAR

Organized by: RCE 1-Sustainability and ESG



Does regulatory oversight discipline ESG funds to walk the talk?

Abstract

The possibility that investment funds use the ESG-investing label to attract investment flows without making real ESG-oriented investments is a widespread concern. Exploiting the launch of the SEC's Climate and ESG Task Force (the Task Force hereafter), we investigate whether securities regulators' oversight disciplines the funds to "walk the talk." We show that ESG-labelled funds improve their fund-level ESG performance after the launch of the Task Force. Such changes are more pronounced among ESG funds located closer to the SEC and those whose prospectuses have a greater emphasis on ESG issues. Further analyses reveal that ESG funds claiming negative/positive screening strategies are more likely to exclude/include stocks as suggested by their prospectuses; those claiming ESG integration strategies reduce portfolio weights of firms with negative ESG incidents; and those claiming active ownership strategies are more likely to participate in voting of environmental and social proposals and their votes are more supportive of proposals advocating greater transparency in ESG issues. We also explore how the improved ESG-oriented investments affect fund returns and fund flows. Collectively, our results suggest the effectiveness of regulatory oversight in disciplining ESG funds to "walk the ESG talk".

Presenter

Dr. Lisa Chengzhu SUN is an Associate Professor at School of Accounting and Finance, The Hong Kong Polytechnic University. She joined PolyU in 2021 upon the completion of her Ph.D. in Accounting at the LSK Business School, The Hong Kong University of Science and Technology (HKUST).

Dr. Sun's research interests lie primarily in ESG, regulations, information economics and social networks. She explores the real effects of various governance mechanisms or regulations on firms' non-financial outcomes (especially for the environmental practices such as corporate pollution and carbon emissions).

■ Date:

5 September 2025

■ Time:

14:00-15:00 (China Standard)

■ Location:

BS 4114

