

# Survey on the Hang Seng Index (HSI) Constituents Environmental, Social and Governance (ESG)

Oxfam Hong Kong  
RepuTex

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樂施會  
**OXFAM**  
Hong Kong

無窮世界  
World  
Without  
Poverty

# 1. Introduction

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## 1.1 Oxfam's Position on CSR

Oxfam believes that the private sector is of crucial importance in the area of development, and can create a positive impact on or contribute to poverty alleviation in various ways. If businesses pay low wages that cannot support workers' basic standards of living, allow sub-standard work conditions, destroy the environment and neglect people's rights, it is much more challenging to improve the living standards of poor people in poverty.

On the contrary, once companies begin to integrate corporate social responsibility (CSR), especially environmental, social and governance (ESG) factors into their operations and decision making processes, the private sector is better placed to have a significant impact on poverty alleviation as it is able to provide people who live in poverty with decent work, access to credit, quality goods and services, help them benefit from economic development and thus reduce poverty.

Over the past decade, CSR has become a focal concern in the private sector. According to the European Sustainable Development Network, CSR was traditionally defined as any voluntary action beyond compliance<sup>1</sup>. The definition implies 'doing good' by the business sector; making donations to civil society and environmental organisations, initiating partnerships and sponsor projects in developing countries, building solar power units and wind engines, and spending money on voluntary benefits of employees or neighbours, to name a few examples<sup>2</sup>. There is more or less a perception that CSR is associated with corporate philanthropic activities.

In fact, CSR should go beyond 'doing good' or mere philanthropy, as it also involves compliance with social standards so that poor people can benefit from business investments. A recent guidance by the Sustainable Stock Exchange Initiative (SSEI) suggests that CSR should encompass the broad set of ESG considerations that can impact a company's ability to execute its business strategy and create value<sup>3</sup>. By integrating ESG policies and practices into a company's strategy and daily operations, a company is able to realise its long term values and contribute to social and environmental development in a more sustainable way.

Oxfam believes that by integrating ESG policies and practices into business operations, society would be better off and poor people would benefit immensely. From 2004 to 2010, Oxfam has been actively involved in promoting CSR in Hong Kong. In 2008 and 2009, Oxfam conducted two pioneer surveys to study the CSR performance of the Hang Seng Index (HSI) constituents. The surveys focused on CSR by investigating the implementation of CSR initiatives through the provision of substantial supporting evidence.

Oxfam recognises the importance of ESG issues, and has taken up a role in promoting ESG in the private sector. By doing this, Oxfam hopes to influence companies to improve their ESG policies, especially in areas which focus on labour and supply chain, human rights, equal opportunity, and the environment. Oxfam also hopes that these efforts will encourage companies to set pro-poor policies and integrate ESG issues into their business strategies and daily operations. The very first step is to survey a company's ESG transparency and quality so that the public can better understand and monitor CSR performance, which in turn drives companies to create positive change.

<sup>1</sup> [http://www.sd-network.eu/quarterly%20reports/report%20files/pdf/2011-December-The New Communication of the EU Commission on CSR and National CSR strategies.pdf](http://www.sd-network.eu/quarterly%20reports/report%20files/pdf/2011-December-The%20New%20Communication%20of%20the%20EU%20Commission%20on%20CSR%20and%20National%20CSR%20strategies.pdf)

<sup>2</sup> Ibid.

<sup>3</sup> <http://www.sseinitiative.org/wp-content/uploads/2015/10/SSE-Model-Guidance-on-Reporting-ESG.pdf>

## 1.2 ESG and Poverty Alleviation

The integration of ESG issues into business strategy and daily operations is not something contradictory to business value. In fact, companies that fail to take account of ESG risks are now considered to not be protecting shareholder value, or acting in the best interests of their customers. The United Nations Environment Programme Financial Initiative (UNEP FI) offers a useful toolkit to understand how ESG issues translate into sustainable business value<sup>4</sup>. In terms of poverty alleviation, a company could provide products and services to the people at the bottom-of-the- pyramid, offer jobs with decent salary to the poor, invest in the community, ensure compliance of human rights in the supply chain, to name a few examples.

Poverty alleviation could also be achieved by employment. UNEP FI suggests that wages should provide all workers, as a minimum, with a decent living for themselves and their families. A fair wage enables an employee to earn enough in a month to meet all basic needs and those of their dependants plus some discretionary income, without any overtime. The UNEP FI further reminds businesses that official minimum wage may not constitute a fair wage; henceforth paying minimal wage is not enough for a worker to enjoy a decent life. The suggested wage practice should be applied to the supply chain as well so that workers in the chain of supply share in the benefits.

## 1.3 ESG and Companies' Benefits

If ESG issues are not properly managed, it implies certain risks to a company. Investors are now taking ESG risk exposures more seriously; to understand a company's ESG risk, investors use ESG reporting for analysis and investment decisions.

Oxfam conducted research concerning institutional investors' views on listed companies' ESG disclosure<sup>5</sup> in 2015. The findings revealed that 85.6% of respondents considered ESG factors in their investment decisions, while over 80% of respondents were concerned that companies have an impact on society and the local community, and almost 65% of respondents believed ESG disclosure should be mandatory through the adoption of the Global Reporting Initiative (GRI) G4 standard. The figures indicate that institutional investors are already taking ESG issues seriously; the view that ESG disclosure is crucial is aligned with international trends.

In terms of international trends in the regulation of disclosure, the London Stock Exchange, Nasdaq and the New York Stock Exchange, Bursa Malaysia and the Indonesia Stock Exchange have all adopted stringent ESG disclosure policies, and their respective governments have adopted directives to regulate disclosure. The European Commission provides a further example. The Commission enforced a directive in October 2014 requiring large public interest entities (listed companies, banks, insurance undertakers, and other designated companies) with more than 500 employees to disclose non-financial information on their policies, main risks and outcomes related to ESG issues. International reporting frameworks such as the United Nations Global Compact, the OECD Guidelines for Multinational Enterprises, the International Organisation for Standardisation (ISO26000), and the Global Reporting Initiative (GRI) were recommended as the guidelines for companies to follow. Indeed, the abovementioned reporting frameworks are well developed and widely recognised by regulators and investors. Henceforth, companies are encouraged to adopt these international reporting frameworks on ESG disclosure for easy communication, particularly with stakeholders.

The United Nations supported Principles for Responsible Investment (UNPRI) currently has approximately 1,380 signatories with nearly US\$59 trillion assets under management<sup>6</sup>. Investors require access to relevant ESG information to assess the quality of a company's management (among other things) and forecast company performance. Socially responsible investment has become a major trend within the investment

<sup>4</sup> <http://www.unepfi.org/fileadmin/documents/translatingESG.pdf>

<sup>5</sup> [http://www.oxfam.org.hk/content/98/content\\_22950en.pdf](http://www.oxfam.org.hk/content/98/content_22950en.pdf)

<sup>6</sup> <http://www.unpri.org/about-pri/about-pri/>

community as the UNPRI figure above demonstrates. The UNPRI suggests that responsible investment is an approach to investment that explicitly acknowledges the relevance to the investor of ESG factors, and the long-term health and stability of the market as a whole. It recognises that the generation of long-term sustainable returns is dependent on stable, well-functioning and well governed social, environmental and economic systems<sup>7</sup>. In other words, ESG factors are playing a prominent role in shaping investment decisions.

Moreover, the collection of ESG data within a company acts as a facilitator for that organisation to assess the environmental and social risks that may impact its business. Once potential risks are identified, the company is better prepared to manage those risk exposures. Reporting of ESG data on the consumption of resources, such as energy, in turn allows the company to review its energy efficiency and develop relevant initiatives for reduction. Overall costs and expenses are therefore likely to be decreased.

Publishing an ESG report also provides a means of communication between a company and the community, allowing members of the public to access an organisation's policies and practices in the context of ESG issues. If a company indicates sound ESG performance, there is evidence that brand value and reputation is positively enhanced amongst consumers. Any functioning business cannot operate without gaining legitimacy from its external stakeholders. A company that is transparent about its management of environmental and social impacts, with initiatives to minimise its negative impact is bound to do well as a result of improved relationships among regulators and the community where it operates. And a company with a better reputation in turn enhances its ability to achieve high staff retention rates and attract high-calibre employees.

## 2. Methodology

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### 2.1 The HSI Universe Statistics

#### Reasons for Researching HSI Companies

The history of the HSI can be traced back to 1969. The HSI is the oldest stock market index in Hong Kong. The index measures the largest and most liquid companies listed on the Main Board of Hong Kong Exchanges and Clearing Ltd. (HKEx). The equity price movements of the index constituents are reflected in the movement of the index. The HSI is regarded as the main indicator of performance of the Hong Kong stock market.

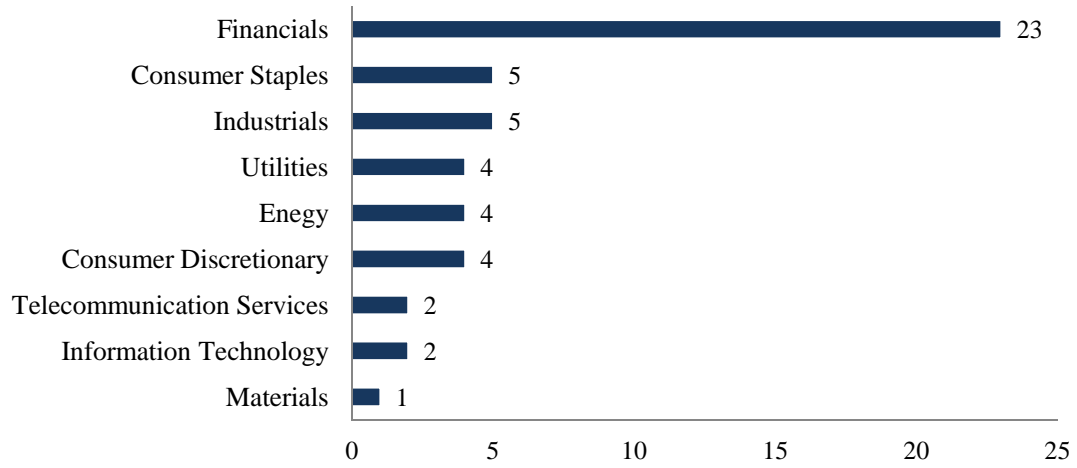
Listed companies selected as constituents for the HSI are companies which constitute the top 90th percentile of the total market capitalisation and constitute the top 90th percentile of the total turnover on the Hong Kong stock Market. Companies selected for index constituency are companies large and liquid enough to represent the Hong Kong stock market; they form the blue chip companies. Currently the HSI universe is comprised of 50 stocks.

Given their market capitalisation and volume of turnover, the HSI constituents provide a solid role model for other listed companies to follow. There is an expectation that listed companies with a high degree of market capitalisation and turnover should have sufficient resources to manage ESG internally within their organisations, and hence provide better ESG transparency and quality of reporting. If a market leader is able to take a best practice position in demonstrating improvement in the area of ESG, other companies will follow. Accordingly, the HSI constituents have been selected as the research targets for Oxfam Hong Kong's 'Survey on Environmental, Social and Governance (ESG) Transparency and Quality'.

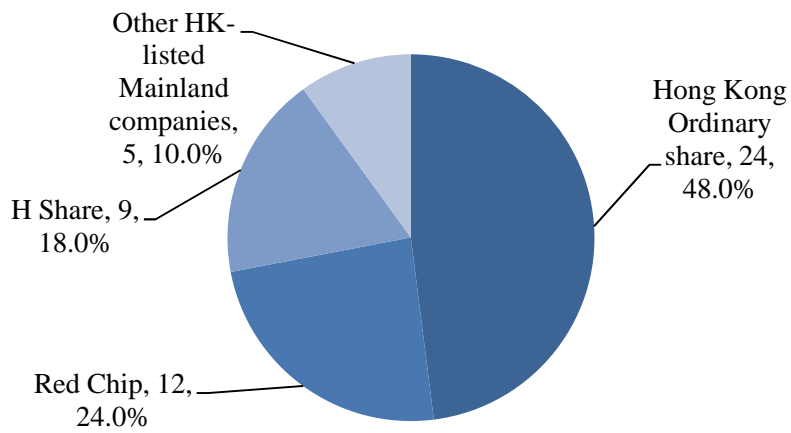
<sup>7</sup> <http://www.unpri.org/introducing-responsible-investment/>

Figure 1 illustrates the industry representation of the HSI constituents assessed. Figure 2 indicates the types of shares of constituents, and Table 2 displays the company profiles in 2014.

**Figure 1 – Sector Representation of the HSI Constituents**



**Figure 2 – Weight by Share Type**



**Table 1 – Company Profiles**

Stock Code	Company Name	Sector <sup>8</sup>	Revenue (2014) (m)	Profits Before Tax (2014)(m)	Profit	Total No. of Employees	Location of Headquarters	Market Capitalisation (M) <sup>9</sup>
1	CK Hutchison	Industrials	\$31,218	\$55,927 <sup>10</sup>	\$54,608	280,000	Hong Kong	\$404,108
2	CLP Holdings	Utilities	\$92,259	\$1,3204	\$11,936	7,300	Hong Kong	\$166,114
3	HK & China Gas	Utilities	\$31,614	\$9,874	\$8,103	1,972	Hong Kong	\$176,420
4	Wharf Holdings	Financials	\$38,136	\$40,154 <sup>11</sup>	\$36,424	15,000	Hong Kong	\$130,789
5	HSBC Holdings	Financials	\$581,825	\$145,704	\$114,699	266,000	London	\$1,223,401
6	Power Assets	Utilities	\$2,131	\$61,098 <sup>12</sup>	\$61,085	1213	Hong Kong	\$150,786
11	Hang Seng Bank	Financials	\$29,063	\$18,049	\$15,131	10,000	Hong Kong	\$283,144
12	Henderson Land	Financials	\$23,371	\$18,473	\$16,940	8,560	Hong Kong	\$157,400
16	Sun Hung Kai Property	Financials	\$66,783	\$37,135	\$32,364	37,000	Hong Kong	\$271,398
17	New World Development	Financials	\$55,245	\$31,136	\$26,872	48,000	Hong Kong	\$68,917
19	Swire Pacific	Financials	\$61,301	\$15,603	\$13,385	82,000	Hong Kong	\$78,889
23	Bank of East Asia	Financials	\$18,232	\$8,424	\$6,774	13,000	Hong Kong	\$73,946
27	Galaxy Entertainment	Consumer discretionary	\$71,752	\$10,564	\$10,363	17,000	Hong Kong	\$104,351
66	MTR Corporation	Industrials	\$40,156	\$18,293	\$15,797	24,154	Hong Kong	\$224,913
83	Sino Land	Financials	\$21,839	\$10,621	\$9,475	9,300	Hong Kong	\$70,503
101	Hang Lung Property	Financials	\$17,030	\$14,395	\$12,153	4,452	Hong Kong	\$80,230
135	Kunlun Energy	Energy	\$48,044	\$11,956	\$8,876	21,751	Hong Kong	\$55,861
144	China Merchant Holdings	Industrials	\$8,257	\$6,169	\$5,018	6,261	Hong Kong	\$63,536
151	Want Want China	Consumer staple	\$29,778	\$7,283	\$5,355	52,000	Shanghai	\$74,474
267	CITIC	Industrials	\$402,124	\$77,800	\$59,800	125,273	Beijing	\$399,700
291	China Resources	Consumer staple	\$168,864	\$1,841	\$291	252,000	Hong Kong	\$38,784
293	Cathay Pacific Airlines	Industrials	\$105,991	\$4,049	\$3,450	32,900	Hong Kong	\$52,792
322	Tingyi	Consumer staple	\$79,856	\$5,410	\$3,781	79,003	Shanghai	\$61,632
386	Sinopec Corporation	Energy	RMB 2,825,914	RMB 65,504	RMB 47,933	358,571	Beijing	\$120,168
388	Hong Kong Exchanges and Clearing Ltd.	Financials	\$9,849	\$6,038	\$5,138	1,420	Hong Kong	\$240,861
494	Li & Fung	Consumer discretionary	\$150,450	\$4,889	\$3,663	25,000	Hong Kong	\$44,097
688	China Overseas	Financials	\$119,997	\$43,667	\$28,205	25,705	Hong Kong	\$263,277
700	Tencent	Information Technology	RMB \$78,932	RMB \$29,013	RMB \$23,888	27,690	Shenzhen	\$1,417,040
762	China Unicom	Telecommunication service	RMB \$284,681	RMB \$15,931	RMB \$12,055	228,270	Hong Kong	\$226,060
823	Link Real Estate Investment Trust	Financials	\$7,723	\$28,049 <sup>14</sup>	\$27,230	930	Hong Kong	\$104,515
836	China Resources Power	Utilities	\$70,681	\$11,184	\$6,894	42,575	Hong Kong	\$71,820

<sup>8</sup> MSCI global industry classification standard

<sup>9</sup> As of 31 December, 2015

<sup>10</sup> The profit more than revenue was due to the merger of Hutchison Whampoa in 2014; the profit of Hutchison Whampoa was included in the total profit.

<sup>11</sup> The profit more than revenue was due to profit earned from surplus before property revaluation.

<sup>12</sup> The extra profit is due to the spin-off of Hong Kong Electric.

<sup>13</sup> The significant decrease of staff number is due to the spin-off of Hong Kong Electric and resulting transfer of most employees to HK Electric on 1 January, 2014.

<sup>14</sup> The profit more than revenue was caused by the change in fair values of investment properties.

Stock Code	Company Name	Sector <sup>8</sup>	Revenue (2014) (m)	Profits Before Tax (2014)(m)	Profit	Total No. of Employees	Location of Headquarters	Market Capitalisation (M) <sup>9</sup>
857	Petrochina	Energy	RMB \$2,282,962	RMB \$156,759	RMB \$119,028	319,346	Beijing	\$108,448
883	CNOOC	Energy	RMB \$218,210	RMB \$82,513	RMB \$60,199	21,046	Beijing	\$366,109
939	China Construction Bank	Financials	RMB \$556,740	RMB \$299,086	RMB \$228,247	372,321	Beijing	\$1,274,212
941	China Mobile	Telecommunication service	RMB \$581,817	RMB \$142,592	RMB \$109,405	241,550	Beijing	\$1,788,533
992	Lenovo Group	Information Technology	\$361,105	\$7,574	\$6,526	60,000	Beijing	\$87,647
1044	Hengan International	Consumer staple	\$23,831	\$5,343	\$3,974	31,000	Fujian	\$88,189
1088	China Shenhua	Energy	RMB \$248,360	RMB \$60,945	RMB \$48,383	92,738	Beijing	\$41,259
1109	China Resources Land	Financials	\$88,381	\$26,786	\$16,041	28,452	Hong Kong	\$152,481
1113	CK Properties	Financials	\$19,04915	\$8,523	\$7,270	20,500	Hong Kong	\$196,844
1299	AIA	Financials	\$198,377	\$33,891	\$27,050	20,000	Hong Kong	\$558,441
1398	Industrial and Commercial Bank of China	Financials	RMB \$634,858	RMB \$361,612	RMB 276,286	462,282	Beijing	\$406,196
1880	Belle International	Consumer discretionary	RMB \$40,008	RMB \$6,601	RMB \$4,751	115,657	Shenzhen	\$49,256
1928	Sands China Ltd.	Consumer discretionary	\$74,141	\$19,938	\$19,872	28237	Macau	\$213,027
2318	Ping An Insurance	Financials	RMB \$530,020	RMB \$62,353	RMB \$47,930	235,999	Shenzhen	\$319,873
2319	Mengniu Dairy	Consumer discretionary	RMB \$50,049	RMB \$3,150	RMB \$2,690	38,100	Hohhot	\$49,834
2388	Bank of China Hong Kong	Financials	\$53,450	\$30,663	\$25,105	14,926	Hong Kong	\$250,046
2628	China Life Insurance	Financials	RMB \$44,766	RMB \$40,402	RMB \$32,514	103,123	Beijing	\$185,285
3328	Bank of Communication	Financials	RMB \$134,776	RMB \$84,927	RMB \$65,850	95,686	Shanghai	\$190,114
3988	Bank Of China	Financials	RMB \$456,328	RMB \$231,478	RMB \$177,198	308,128	Beijing	\$289,333

## 2.2 Data Collection

### Details of the Data Collection Process

For Oxfam Hong Kong's 'Survey on the Hang Seng Index (HSI) Constituents' Environmental, Social and Governance (ESG) Transparency and Quality', Oxfam has commissioned RepuTex-ESG to execute the research process from October to December 2015.

<sup>15</sup> Due to the restructuring of the company, relevant information prior to 2015 is not available; data extracted from the 2015 Interim Report was used instead.

### **Rating**

Workplace practice is generally grouped under the Social area with the ESG universe. OHK believes that workplace practice is of crucial importance to improve livelihoods of workers and hence poverty alleviation. Thus, the workplace practice was then separated as an independent area for rating to show the corporate performance in labour right protection.

Companies were appraised in terms of four key categories: Corporate Governance, Environmental Impact, Social Impact and Workplace Practices, which covered more than 50 indicators (See Table 2).

A score against each ESG performance indicator is applied, scores are then weighted and aggregated to provide an overall category score. Each category carries equal weighting, that is 25%; the total score would be 100%. Category scores are added together to arrive at an overall performance rating. The ratings are: 'Reliable' (i.e. companies that receive a score of 66 per cent or above), 'Satisfactory' (i.e. between 56 and 65 per cent) and 'Unstable' (i.e. 55 per cent and below).

### **Research Sequence**

At the outset, desktop research is prepared by RepuTex analysts using public domain information. Information is gathered from company websites, annual and sustainability reports, market announcements and market briefings. This process provides a credible baseline ESG assessment. RepuTex also draws on valuable input from companies themselves and other third parties to finalise its research findings.

Each company is provided an opportunity to submit additional information to verify its performance and expand on its achievements using RepuTex's Feedback and Verification Form. In some instances, RepuTex will meet with a company to obtain performance information. This process may consider the company's key operating plans, management policies, and other factors that have an impact on ESG performance. RepuTex does not pre-fill survey/questionnaire returns for companies being assessed.

Taking full account of any company inputs, RepuTex finalises its research findings. Research outcomes may be used to rank companies and benchmark performance or to inform the assignment of a RepuTex Rating.

### **Limitation**

The research is based on publicly available information for rating of companies' performance. Negative information or news reporting are included.

### **Confidential Information**

Where received, confidential information is managed in accord with RepuTex's confidentiality policies and procedures. These systems are supported by the staff Code of Conduct. In circumstances where any statement is made in relation to a company's rating, this will refer only to publicly available information.

For more information on RepuTex's ESG Rating Policy and Methodology, please visit the 'ESG-Connect' Portal: <http://esg-connect.reputex.com/>

## **2.3 Statistics of Company Participation**

All 50 companies within the HSI universe were provided the opportunity to submit materials and feedback to RepuTex to support information gathered from company websites, annual reports and sustainability



reports, market briefings, market filings, regulatory compliance and financial data.

Nineteen companies (38%) provided additional information through submitting the 'Feedback and Verification Form', or via reference to the company's public domain website (See Appendix I).

The research results reflected the trend that larger market capitalisation organization (e.g. those with exposure to more developed ESG markets in Europe, North America and Australia) with high levels of public disclosure on ESG issues to be more aware of ESG related risks and opportunities than smaller cap companies constrained by fewer resources.

## 2.4 Key Challenges Faced in the Survey Process

### Company Points of Contact

RepuTex maintains comprehensive point of contact databases which include the HSI constituents. As a result, there were no significant challenges faced in terms of gaining access to relevant contacts in 2015.

As expected, RepuTex and Oxfam did make a number of updates to the database following some movement of personnel within the companies. There were also instances of seeking contacts for new constituent entries to the HSI, for example, within the Hong Kong multinational conglomerate Cheung Kong (Holdings) Ltd. following the recent merge with its subsidiary Hutchison Whampoa on 3 June, 2015. New spin-off business Cheung Kong Property Holdings Ltd., which now combines the property businesses of both groups, also required new points of contact.

### Comprehensiveness of Information

The research findings shown that increasing number of international standards and guidelines being developed by statutory authorities and global reporting bodies has contributed to improved levels of ESG information disclosure. For example, ESG guidelines published by the Global Reporting Initiative, the HKEx and the Shanghai Stock Exchange are being adopted by more companies with greater legitimacy, and this in turn is driving the disclosure of more sophisticated levels of statistical data on core environmental (emissions, water, waste) and workplace (workforce numbers, OHS) indicators in particular.

In preparation for China's national emissions trading scheme, the National Development and Reform Commission is also requiring emitters in certain sectors to report carbon emissions<sup>16</sup> which contributed to mainland China companies listing in Hong Kong reported areas of disclosure covering emissions.

Despite these positive changes, a handful of unstable companies can be identified within the HSI constituent group. These lower performing companies are not fully understand the benefits of ESG reporting. These companies offer very limited information in the public domain. The majority of low performing companies did not provide additional feedback to RepuTex to assist with the finalisation of research findings. This clearly reflected the lower performing companies did not recognize the benefits of ESG as a risk management tools.

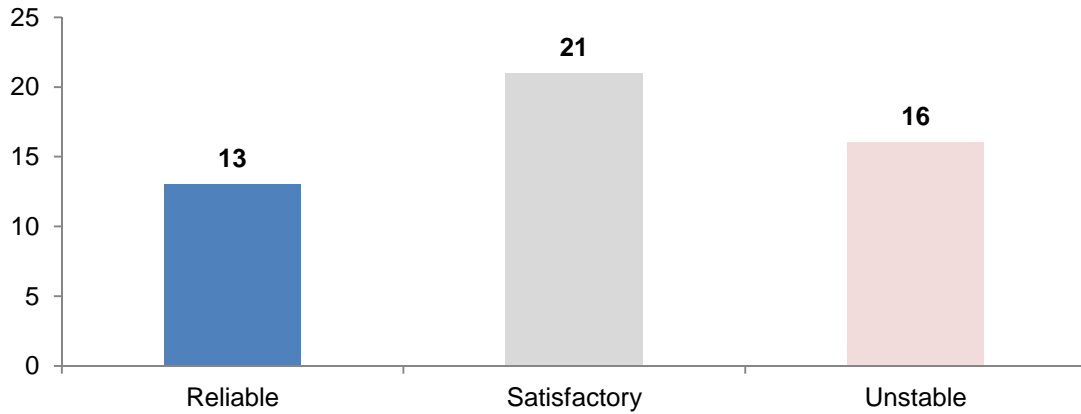
# 3. Findings

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## 3.1 Overall Company Performance

<sup>16</sup> [http://carbon-pulse.com/china-central-bank-chief-economist-proposes-mandatory-co2-reporting-for-listed-companies/?utm\\_source=CP+Daily&utm\\_campaign=#sthash.E9EUaqkl.dpuf](http://carbon-pulse.com/china-central-bank-chief-economist-proposes-mandatory-co2-reporting-for-listed-companies/?utm_source=CP+Daily&utm_campaign=#sthash.E9EUaqkl.dpuf)

**Figure 3 – Overall Company Performance by Ranking/Score**



**Table 2 – Overall Company Rating**

Ranking	Company Name	Sector	Industry	Overall Rating
1	Swire Pacific Ltd.	Financials	Real Estate	Reliable
2	MTR Corporation Ltd.	Industrials	Transportation	Reliable
3	HSBC Holdings Plc	Financials	Banks	Reliable
4	CLP Holdings Ltd.	Utilities	Utilities - Power	Reliable
5	Lenovo Group Ltd.	Information Technology	Technology Hardware & Equipment	Reliable
6	Cathay Pacific Airways Ltd.	Industrials	Transportation	Reliable
7	Hong Kong Exchanges & Clearing Ltd.	Financials	Diversified Financials	Reliable
8	Power Assets Holdings Ltd.	Utilities	Utilities - Power	Reliable
9	Hang Seng Bank Ltd.	Financials	Banks	Reliable
10	BOC Hong Kong (Holdings) Ltd.	Financials	Banks	Reliable
11	Hang Lung Properties Ltd.	Financials	Real Estate	Reliable
12	China Mobile Ltd.	Telecommunication Services	Telecommunications Services	Reliable
13	Sun Hung Kai Properties Ltd.	Financials	Real Estate	Reliable
14	China Overseas Land & Investment Ltd.	Financials	Real Estate	Satisfactory
15	Bank of China Ltd.	Financials	Banks	Satisfactory
16	Li & Fung Ltd.	Consumer Discretionary	Retailing	Satisfactory
17	The Hong Kong & China Gas Co. Ltd.	Utilities	Utilities - Power	Satisfactory
18	Sino Land Co. Ltd.	Financials	Real Estate	Satisfactory
19	Henderson Land Development Co. Ltd.	Financials	Real Estate	Satisfactory
20	Industrial and Commercial Bank of China Ltd.	Financials	Banks	Satisfactory
21	The Wharf (Holdings) Ltd.	Financials	Real Estate	Satisfactory
22	China Construction Bank Corporation	Financials	Banks	Satisfactory
23	PetroChina Co. Ltd.	Energy	Utilities - Power	Satisfactory
24	China Shenhua Energy Co. Ltd.	Energy	Utilities - Power	Satisfactory
25	CNOOC Ltd.	Energy	Utilities - Power	Satisfactory
26	Cheung Kong Hutchison (Holdings) Ltd.	Industrial	Conglomerates	Satisfactory
27	New World Development Co.	Financials	Real Estate	Satisfactory

Ranking	Company Name	Sector	Industry	Overall Rating
28	Ltd. Tencent Holdings Ltd.	Information Technology	IT Software & Services	Satisfactory
29	China Life Insurance Co. Ltd.	Financials	Insurance	Satisfactory
30	The Bank of East Asia Ltd.	Financials	Banks	Satisfactory
31	Link Real Estate Investment Trust	Financials	Real Estate	Satisfactory
32	Bank of Communications Co. Ltd.	Financials	Banks	Satisfactory
33	China Resources Power Holdings Co. Ltd.	Utilities	Utilities - Power	Satisfactory
34	China Resources Enterprise Ltd.	Consumer Staples	Capital Goods	Satisfactory
35	Sinopec Shanghai Petrochemical Co. Ltd.	Materials	Utilities - Power	Unstable
36	Ping An Insurance (Group) Co. of China Ltd.	Financials	Insurance	Unstable
37	China Unicom Hong Kong Ltd.	Telecommunication Services	Telecommunications Services	Unstable
38	China Resources Land Ltd.	Financials	Real Estate	Unstable
39	Want Want China Holdings Ltd.	Consumer Staples	Food, Beverage & Tobacco	Unstable
40	CITIC Pacific Ltd.	Industrials	Materials Processing	Unstable
41	Cheung Kong Property Holdings Ltd.	Financials	Real Estate	Unstable
42	China Mengniu Dairy Co. Ltd.	Consumer Staples	Food, Beverage & Tobacco	Unstable
43	Sands China Ltd.	Consumer Discretionary	Consumer Services	Unstable
44	Galaxy Entertainment Group Ltd.	Consumer Discretionary	Consumer Services	Unstable
45	China Merchants Holdings (International) Co. Ltd.	Industrials	Transportation	Unstable
46	Hengan International Group Co. Ltd.	Consumer Staples	Household & Personal Products	Unstable
47	AIA Group Ltd.	Financials	Insurance	Unstable
48	Tingyi Cayman Islands Holding Corporation	Consumer Staples	Food, Beverage & Tobacco	Unstable
49	Belle International Holdings Ltd.	Consumer Discretionary	Consumer Durables & Apparel	Unstable
50	Kunlun Energy Company Ltd.	Energy	Utilities - Power	Unstable

Of the 50 stocks appraised within the 2015 HSI universe, 32% (4 companies) received an unstable rating, reflecting improvement for sustainable performance is needed. The majority of these companies tend to disclose very basic governance and ESG related information in line with regulation. The HKEx's (ESG) Reporting Guide does not appear to have impacted the cohort of Hong Kong laggards in any positive way. Research indicates that China Mengniu Dairy Co. Ltd. is the only company within the unstable rating which currently reports against HKEx's ESG guidelines.

Encouragingly, 26% of the stocks appraised (13 companies) received reliable ratings demonstrating strong performance. Four Hong Kong entities which received the highest scores, namely in ranking order, Swire Pacific Ltd., followed by MTR Corporation Ltd., HSBC Holdings Plc and CLP Holdings Ltd.

**Performance by Sector/Industry**  
**Table 3 – Overall Performance by Sector**

<b>Sector</b>	<b>Overall Rating</b>
Information Technology	Reliable
Utilities	Satisfactory
Financials	Satisfactory
Industrials	Satisfactory
Telecommunication Services	Satisfactory
Energy	Satisfactory
Materials	Satisfactory
Consumer Discretionary	Unstable
Consumer Staples	Unstable
<b>Total</b>	<b>Satisfactory</b>

Sector level analysis indicates strong performance by the Information Technology sector. The Consumer Staples and Consumer Discretionary sectors displayed the poorest results in the ESG sphere.

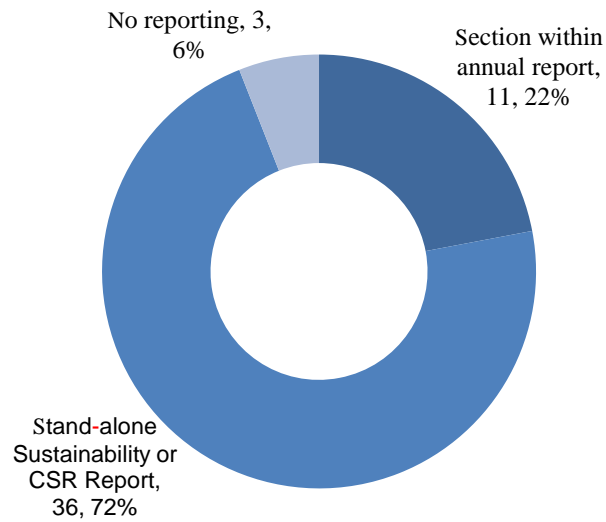
**3.2 Performance by Core Areas**

**Table 4 – Summary of Core Areas (Rating)**

<b>Sector</b>	<b>Corporate Governance</b>	<b>Social Impact</b>	<b>Environmental Impact</b>	<b>Workplace Practices</b>	<b>Average Rating</b>
Consumer Discretionary	Satisfactory	Unstable	Unstable	Unstable	Unstable
Consumer Staples	Satisfactory	Unstable	Unstable	Unstable	Unstable
Energy	Reliable	Unstable	Unstable	Unstable	Satisfactory
Financials	Reliable	Satisfactory	Satisfactory	Satisfactory	Satisfactory
Industrials	Reliable	Satisfactory	Satisfactory	Satisfactory	Satisfactory
Information Technology	Reliable	Satisfactory	Satisfactory	Satisfactory	Reliable
Materials	Satisfactory	Satisfactory	Unstable	Unstable	Satisfactory
Telecommunication Services	Reliable	Satisfactory	Satisfactory	Unstable	Satisfactory
Utilities	Reliable	Satisfactory	Satisfactory	Satisfactory	Satisfactory
<b>Average Rating</b>	<b>Reliable</b>	<b>Satisfactory</b>	<b>Satisfactory</b>	<b>Unstable</b>	<b>Satisfactory</b>

Corporate Governance was the strongest performing research category, with support from government regulation buffering scores. This was followed by Social Impact and Environmental Impact. Workplace Practices remained the lowest performing area, indicating that companies are taking a ‘compliance focused’ approach to ESG risk.

**Figure 4 – Type of Reporting**



The pie chart on types of reporting utilised by the HSI constituents indicates that 36 companies (72%) are currently producing a stand-alone Sustainability or CSR Report, while 14 (28%) fail to adequately report on ESG factors. Of the reporting companies, 24 disclose according to the Global Reporting Initiative’s G4 guidelines, while only nine follow the G3.1 standard. A variety of other ESG reporting guidelines are also used by companies such as those published by the HKEx, the Shanghai Stock Exchange, Chinese Academy of Social Sciences, the UN Global Compact, and the AA1000, to name a few.

Ultimately, the weaker performance of companies against the social, environmental and workplace spheres demonstrates that while the Global Reporting Initiative (GRI) maintains strong standing, companies are not reporting exhaustively against all aspects. Reputex notes that best practices companies produce quality reports which illustrate practical solutions to reduce negative impacts, improve efficiency and build on their overall ESG profile using credible examples.

Once operations are functioning well and managed efficiently, there is a sound reputation and a good story to report. Information is augmented by comprehensive and accurate data in line with international reporting guidelines such as the GRI as evidence of solid performance.

By comparison, poor performing companies do not produce any sincere information about their policies and practices in the public domain. They fail to understand that the simple act of providing public access to policy documents on their websites and through their reporting framework helps to demonstrate a company’s genuine commitment to transparency and honesty. A more detailed discussion on the use of credible guidelines can be found in the Transparency & Reporting section of the Social Impact category below.

### 3.3 Social Impact

#### Importance of Social Impact

To achieve a high Social Impact score, an organisation should demonstrate an awareness of its community relationships and commit to very high levels of socially responsible conduct. This commitment should be embedded within its operating culture through policies and strategies and the wider contribution of products and/or services to the community. A proactive approach should be taken to local and global human rights, disadvantaged people, education partnerships and community welfare. Social contribution should be actively and independently evaluated and reported against verifiable benchmarks set in consultation with a comprehensive range of stakeholders, fostering strong community engagement. Public disclosure and reporting should go beyond sponsorship and community partnerships to take into account the organisation's overall impact and contribution to a socially sustainable future.

Companies could receive three ratings, namely Reliable, Satisfactory and Unstable in Social Impact. For a full breakdown of all criteria, please refer to Appendix II RepuTex ESG Criteria Definitions for Oxfam Hong Kong.

#### Overall Performance by Sector/Industry and Place of Business

**Table 5 – Overall Company Ratings by Social Impact**

Ranking	Company Name	Sector	Industry	Rating
1.	Swire Pacific	Financials	Real Estate	Reliable
2.	HSBC	Financials	Banks	Reliable
3.	Lenovo Group	Information Technology	Technology Hardware & Equipment	Reliable
4.	Cathay Pacific Airways	Industrials	Transportation	Reliable
5.	CLP Holdings	Utilities	Utilities - Power	Reliable
6.	China Mobile	Telecommunication Services	Telecommunications Services	Reliable
7.	MTR Corporation	Industrials	Transportation	Reliable
8.	Hong Kong Exchanges and Clearing Ltd.	Financials	Diversified Financials	Reliable
9.	Power Assets	Utilities	Utilities - Power	Reliable
10.	China Overseas Land & Investment	Financials	Real Estate	Reliable
11.	Hang Seng Bank	Financials	Banks	Reliable
12.	Li & Fung	Consumer Discretionary	Retailing	Reliable
13.	BOC Hong Kong	Financials	Banks	Reliable
14.	China Life Insurance	Financials	Insurance	Reliable
15.	Sun Hung Kai Properties	Financials	Real Estate	Reliable
16.	China Construction Bank	Financials	Banks	Satisfactory
17.	Industrial and Commercial Bank of China	Financials	Banks	Satisfactory
18.	Sino Land	Financials	Real Estate	Satisfactory
19.	The Hong Kong & China Gas	Utilities	Utilities - Power	Satisfactory
20.	Hang Lung Properties	Financials	Real Estate	Satisfactory
21.	Bank of China	Financials	Banks	Satisfactory
22.	Henderson Land Development	Financials	Real Estate	Satisfactory
23.	Cheung Kong Hutchison	Financials	Conglomerates	Satisfactory
24.	China Shenhua Energy	Energy	Utilities - Power	Satisfactory

Ranking	Company Name	Sector	Industry	Rating
25.	The Wharf	Financials	Real Estate	Satisfactory
26.	Bank of East Asia	Financials	Banks	Satisfactory
27.	Bank of Communications	Financials	Banks	Satisfactory
28.	Tencent	Information Technology	IT Software & Services	Satisfactory
29.	PetroChina	Energy	Utilities - Power	Satisfactory
30.	Link Real Estate Investment Trust	Financials	Real Estate	Satisfactory
31.	New World Development	Financials	Real Estate	Satisfactory
32.	CNOOC	Energy	Utilities - Power	Satisfactory
33.	China Resources Enterprise	Consumer Staples	Capital Goods	Satisfactory
34.	Sinopec Shanghai Petrochemical	Materials	Utilities - Power	Satisfactory
35.	China Resources Land	Financials	Real Estate	Satisfactory
36.	Ping An Insurance	Financials	Insurance	Unstable
37.	China Unicom	Telecommunication Services	Telecommunications Services	Unstable
38.	Sands China	Consumer Discretionary	Consumer Services	Unstable
39.	China Resources Power	Utilities	Utilities - Power	Unstable
40.	Cheung Kong Property	Utilities	Real Estate	Unstable
41.	China Mengniu Dairy	Consumer Staples	Food, Beverage & Tobacco	Unstable
42.	Want Want China	Consumer Staples	Food, Beverage & Tobacco	Unstable
43.	CITIC Pacific	Industrials	Materials Processing	Unstable
44.	Galaxy Entertainment	Consumer Discretionary	Consumer Services	Unstable
45.	Hengan International Group	Consumer Staples	Household & Personal Products	Unstable
46.	Belle International	Consumer Discretionary	Consumer Durables & Apparel	Unstable
47.	AIA Group	Financials	Insurance	Unstable
48.	Tingyi	Consumer Staples	Food, Beverage & Tobacco	Unstable
49.	China Merchants	Industrials	Transportation	Unstable
50.	Kunlun Energy	Energy	Utilities - Power	Unstable

**Table 6 – Overall Performance by Sector: Social Impact**

Sector	Rating
Information Technology	Reliable
Financial	Satisfactory
Telecommunication Services	Satisfactory
Utilities	Satisfactory
Industrials	Satisfactory
Materials	Satisfactory
Consumer Discretionary	Unstable
Energy	Unstable
Consumer Staples	Unstable
<b>Overall Rating</b>	<b>Satisfactory</b>

There is some variation in the average performance of companies in the different sectors in relation to their Social Impact. All nine sector groups on average achieved satisfactory scores. The Information Technology, Financials and Telecommunication Services sectors demonstrated the highest levels of performance and transparency. In the Financials sector, a number of companies have well developed philanthropic programmes which seek to address socially vulnerable community segments. Such efforts include programmes to increase financial literacy and provide business advisory services to community

organisations. Amongst the Information Technology companies, there is growing awareness of supply chain labour standards and human rights. Lenovo Group Ltd. in particular has well established systems to work with suppliers in emerging markets to improve working conditions. Equally, China Mobile Ltd. has extensive frameworks in place to engage with suppliers to ensure responsible conduct. More detail on the performance of these companies is provided in the Human Rights & Supply Chain section below.

### 3.3.1 Community Investment

**Table 7 – Company Rankings by Community Investment**

Ranking	Company	Ranking	Company
1	Swire Pacific	26	Tencent Holdings
2	CLP Holdings	27	Industrial and Commercial Bank of China
3	HSBC	28	Hong Kong & China Gas
4	Galaxy Entertainment	29	Bank of China
5	Hang Seng Bank	30	China Unicom
6	Lenovo Group	31	New World Development
7	Sands China	32	CNOOC
8	Bank of East Asia	33	China Shenhua Energy
9	CK Hutchison	34	Bank of Communications
10	China Construction Bank	35	Ping An Insurance
11	Henderson Land Development	36	Link REITS
12	Li & Fung	37	China Merchants
13	Power Assets	38	CITIC Pacific
14	Hong Kong Exchanges and Clearing Ltd.	39	Sinopec Shanghai Petrochemical
15	China Life Insurance	40	China Resources Enterprise
16	Sino Land	41	PetroChina
17	Sun Hung Kai Property	42	China Mengniu Dairy
18	Cathay Pacific Airways	43	China Resources Land
19	The Wharf	44	Tingyi
20	China Mobile	45	Hengan International Group
21	Hang Lung Property	46	CK Property
22	BOC Hong Kong	47	China Resources Power
23	MTR Corporation	48	Belle International
24	China Oversea Land and Investment	49	Want Want China
25	AIA Group	50	Kunlun Energy

**Table 8– Breakdown of Companies: Community Investment**

	Number of Companies	% of Companies
Support in the form of direct financial resources, in-kind support, the sharing of expertise, staff volunteering or employee giving schemes	50	100%
Community investment including through philanthropic foundations	50	100%

### Community Investment Trends

The community investment criterion examines the scale and scope of a company’s philanthropic contributions. The assessment takes into consideration the resources allocated to community investment activities including cash and in-kind contributions, the distribution of such resources across different community sectors, and the degree to which a company facilitates the involvement of its employees in volunteering activities.

Overall, the findings indicate that companies assessed are well performed.



HSBC Holdings Plc performs exceptionally well, providing extensive support through a myriad of well structured programmes which encourage volunteering, matched giving, knowledge sharing and capacity building attempted to tackle world issues such as climate change and etc. The company has a long history of supporting community partnerships which focus on the ‘sharing of expertise’ in the context of financial literacy. Such partnerships demonstrate a genuine dedication to forming long-term relationships with the community sector.

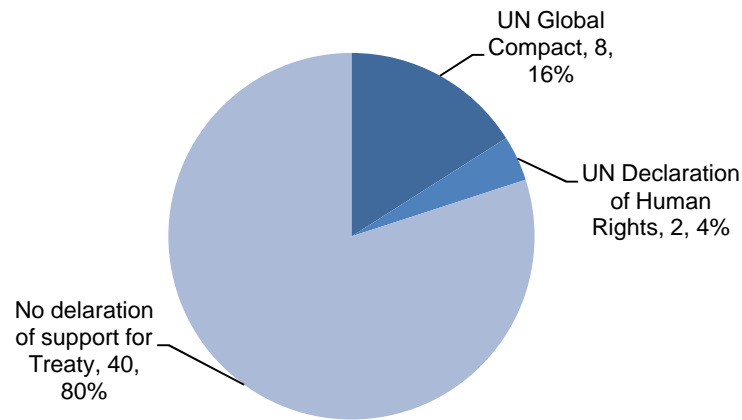
Similarly, CLP Holdings Ltd. demonstrates a real commitment to supporting programmes relevant to its setting, for example, its 'Rewiring and Home Electricity Safety Service for the Elderly Programme' which is carried out by the CLP Volunteers Team, and ensures home safety and care for the elderly people living alone. Both HSBC Holdings Plc and CLP Holdings Ltd. also rigorously manage and measure their community involvement by utilising independent frameworks to appraise the benefits of partnerships.

### 3.3.2 Human Rights and Supply Chain

**Table 9 – Ranking of Companies by Human Rights & Supply Chain**

Ranking	Company	Ranking	Company
1	Lenovo Group	26	PetroChina
2	Swire Pacific	27	China Construction Bank
3	HSBC	28	CK Property
4	Cathay Pacific Airways	29	Sinopec Petrochemical
5	Li & Fung	30	Bank of Communications
6	China Mobile	31	Want Want China
7	MTR Corporation	32	The Wharf
8	Hong Kong Exchanges and Clearing Ltd.	33	New World Development
9	BOC Hong Kong	34	China Resources Power
10	Power Assets	35	Sands China
11	Industrial and Commercial Bank of China	36	CITIC Pacific
12	Bank of China	37	China Resources Land
13	China Oversea Land and Investment	38	China Resources Enterprise
14	CLP Holdings	39	Ping An Insurance
15	Sino Land	40	China Unicom
16	Hang Seng Bank	41	Tencent Holdings
17	China Shenhua Energy	42	Bank of East Asia
18	China Life Insurance	43	Belle International
19	Hang Lung Property	44	Hengan International Group
20	Sun Hung Kai Property	45	Tingyi
21	Hong Kong & China Gas	46	China Mengniu Dairy
22	CK Hutchison	47	Galaxy Entertainment
23	Henderson Land Development	48	Kunlun Energy
24	CNOOC	49	China Merchants
25	Link REITS	50	AIA Group

**Figure 5 – Number of Companies with Declared Support for International Human Rights Treaties**



**Table 10 – Implementation of Procedures and Frameworks to Prevent Violations of Human Rights**

	Number of Companies	% of Companies
Yes	20	40%
None	30	60%

**Table 11 – Procedures and Frameworks that Cover Supply Chain**

	Number of Companies	% of Companies
Apply to planning for new and existing projects and extend to the chain of supply	28	56%
None	22	44%

The topic of human rights and supply chain looks at the extent to which a company can demonstrate a commitment to human rights, and identify relevant risks within its own workforce, business operations and supply chain, including the implementation of procedures to mitigate such risks.

The findings do not show significant improvement among companies in the context of human rights and supply chain management. RepuTex’s findings indicate that 60% of companies assessed do not have procedures and frameworks to prevent violations of human rights, and 44% do not appear to demonstrate adequate supply chain policies.

Regarding the implementation of procedures to prevent violations of human rights illustrated in Table 13, a large number of companies appraised cited the existence of a code of conduct in response to this criterion. They are often developed at arms-length, with a lack of involvement and commitment from both workers and managers. Codes are frequently poorly promoted and understood within offshore factories, and workers are usually not consulted.

Top performer Lenovo Group Ltd. has established a comprehensive human rights policy framework and has had increasing success in its implementation, particularly in the Asian setting. The company is a signatory to the United Nations Global Compact as well as the Electronics Industry Citizenship Coalition (EICC) code which provides well embedded guidelines for performance and compliance in critical areas including human rights. Supplier audits are conducted in line with the EICC guidelines demonstrating its commitment towards ensuring human rights compliance within the chain of supply.

By contrast, there is no indication of human rights policies or strategies within the three lowest performing entities, Kunlun Energy Company Ltd., China Merchants Holdings (International) Co. Ltd. and AIA Group

Ltd., and to address human rights risks and responsibilities across their workforces, chain of supply, business partnerships or in communities impacted by their requisite operations. There remains a significant opportunity for lower performing companies within the research cohort to engage constructively, particularly in the context of their supply chain partners. As regulatory and voluntary standards become increasingly stringent in this area, costs of compliance will be greatest for those companies that fail to take a proactive position with regard to supply chain standards. A stronger emphasis on direct engagement with suppliers and the promotion of education and training is encouraged as the most meaningful way to support labour rights and participation in the marketplace.

Human rights and supply chain criteria is of crucial importance to Oxfam. A company's respect for human rights across its workforce, supply chain, business partners, and communities impacted by operations can help lift people out of poverty and provide justice by allowing them to assert their dignity and guarantee sustainable development. Formulating and implementing human rights policies regarding issues such as workplace practice, discrimination, child labour and forced or compulsory labour, can assist poverty alleviation by offering workers a fair wage to support a decent living, prevent discrimination, provide educational opportunities to children, and protect workers from threat. If policies extend to the chain of supply, benefits are further enhanced. Henceforth, the demonstration of positive human rights and supply chain policies are critical for companies, to support their overall contribution to social responsibility and the community at large.

**Table 12 – Examples of best practices in human rights and supply chain (only publicly available information was presented)**

	<b>Promote Internationally Accepted Human Rights Standards</b>	<b>Implementation of Procedures and Frameworks to Prevent Violation of Human Rights</b>	<b>Implementation of Procedures and Frameworks to Cover Supply Chain</b>
Lenovo	<p>UN Global Compact</p> <p>Other standards</p> <ul style="list-style-type: none"> <li>EICC</li> </ul>	<ul style="list-style-type: none"> <li>Set up employees' code of conduct that emphasises ethical and compliance to prevent any violation of human rights</li> <li>Provide training to employees to prevent harassment and other human rights related issues</li> <li>Implement Equal Employment Opportunity and Affirmative Action Policy</li> </ul>	<ul style="list-style-type: none"> <li>Regular engagement with supplier to improve performance in human rights</li> <li>Required supplier to comply with EICC standards by formal contract</li> <li>Required supplier to self assess human rights issues</li> <li>Conduct social audit on supplier based on EICC standards</li> <li>Compliance to international standards on conflict free materials initiatives</li> <li>Refused to source from regions experiencing political and social conflict (conflict materials policy)</li> </ul>
HSBC	<p>UN Global Compact</p> <p>UN Declaration of human rights</p> <p>Other standards</p> <ul style="list-style-type: none"> <li>The OECD Guidelines for Multinational Enterprises</li> <li>The Global Sullivan Principles</li> <li>The UN Principles for Responsible Investment</li> <li>The UN Principles for Sustainable Insurance</li> <li>Equator Principles</li> </ul>	<ul style="list-style-type: none"> <li>Set up employees' code of conduct to protect employees free from any form of discrimination and harassment</li> <li>Provide training to employees on values related to human rights</li> <li>Set up global communication system for all level of staff to make disclosure of airing grievances or concerns, when normal channel are inappropriate</li> </ul>	<ul style="list-style-type: none"> <li>Set up a supplier code of conduct based on the international standards (UN Global Compact, etc.)</li> <li>Randomly review supplier's policies, procedures or any other document related to the HSBC Code of Conduct</li> <li>On-site audit of supplier's adherence to the code if necessary</li> <li>Work with supplier on an improvement plan, if non-compliance was found; in extreme cases, terms of contracts will be reviewed, including cancellation</li> </ul>

### 3.3.3 Consumer Rights and Empowerment

**Table 13 – Company Rankings by Consumer Rights & Empowerment**

Ranking	Company	Ranking	Company
1	Lenovo Group	26	Bank of China
2	China Oversea Land and Investment	27	The Wharf
3	HSBC	28	Bank of Communications
4	MTR Corporation	29	China Unicom
5	Power Assets	30	China Resources Enterprise
6	CLP Holdings	31	China Resources Land
7	Hong Kong & China Gas	32	Bank of East Asia
8	Swire Pacific	33	New World Development
9	China Construction Bank	34	Belle International
10	Hang Seng Bank	35	Sinopec Petrochemical
11	Sun Hung Kai Property	36	China Shenhua Energy
12	Hong Kong Exchanges and Clearing Ltd.	37	CK Property
13	China Life Insurance	38	Link REIT
14	Tencent Holdings	39	China Mengniu Dairy
15	Industrial and Commercial Bank of China	40	Hengan International Group
16	Sino Land	41	China Resources Power
17	Cathay Pacific Airways	42	PetroChina
18	BOC Hong Kong	43	CITIC Pacific
19	China Mobile	44	Tingyi
20	Want Want China	45	CNOOC
21	Li & Fung	46	AIA Group
22	Henderson Land Development	47	Sands China
23	Hang Lung Property	48	Galaxy Entertainment
24	CK Hutchison	49	China Merchants
25	Ping An Insurance	50	Kunlun Energy

The public availability of a Charter or policy setting out the rights and obligations of consumers, as well as a company’s capacity to implement an effective system for the handling and reporting of customer complaints are pivotal components of Reputex’s consumer rights criterion.

As customers in Asia become more sensitive to sustainability issues, the HSI constituents are increasingly differentiating themselves through the adoption of better consumer frameworks and reporting systems in their day to day operations. The findings indicate that consumer focused companies perform better in the Social Impact category, due to more transparent customer access to services and rights.

At the sector level, companies in the Information Technology (IT) and Financials segments were well performed and tend to disclose more details on their policies in the public domain as a result of more genuine, long-term relationships with consumer groups, as well as the community at large. A number of banking and IT companies have developed sophisticated customer support portals which are worthy of mention. By comparison, entities appraised in the manufacturing sectors continue to implement a bespoke commitment against this criterion given their detachment from the retail market.

The majority of companies assessed reveal satisfactory efforts in relation to overall customer service, the provision of relevant information, and the handling of complaints. Meanwhile the weakest performing companies still fail to publish basic policies or charters in the public arena which address the needs and rights of their customer bases. This reflects a predominantly compliance based approach.

Complaints handling is generally well addressed by nearly all companies through formal complaints policies and procedures, however in some cases the actual policy is not made available publicly. Best practice companies such as Lenovo Group Ltd. and HSBC Holdings Plc provide more in-depth public reporting of actual customer complaints and their resolution. Complaints reporting is important as it facilitates greater consumer understanding of a company’s service standards and its capacity to resolve

disputes effectively. A number of top performers including Lenovo Group Ltd., HSBC Holdings Plc and CLP Holdings Ltd. also indicate the implementation of customer advisory panels and councils which allow customers to share views and provide important feedback to senior management regarding current services.

### 3.3.4 Stakeholder Engagement and Reporting

**Table 14 – Company Rankings by Stakeholder Engagement**

Ranking	Company	Ranking	Company
1	China Mobile	26	Bank of East Asia
2	Swire Pacific	27	Bank of Communications
3	Cathay Pacific Airways	28	Hong Kong & China Gas
4	CLP Holdings	29	Industrial and Commercial Bank of China
5	HSBC	30	China Resources Power
6	MTR Corporation	31	Sino Land
7	PetroChina	32	China Resources Land
8	Hong Kong Exchanges and Clearing Ltd.	33	Henderson Land Development
9	China Oversea Land and Investment	34	Sinopec Petrochemical
10	Lenovo Group	35	CK Property
11	Hang Lung Property	36	New World Development
12	BOC Hong Kong	37	Tencent
13	China Life Insurance	38	China Unicom
14	Power Assets	39	Sands China
15	Sun Hung Kai Property	40	China Mengniu Dairy
16	Li & Fung	41	Hengan International Group
17	Hang Seng Bank	42	Ping An Insurance
18	CK Hutchison	43	CITIC Pacific
19	China Shenhua Energy	44	China Merchants
20	Bank of China	45	Belle International
21	China Construction Bank	46	Kunlun Energy
22	The Wharf	47	Galaxy Entertainment
23	Link REIT	48	AIA Group
24	CNOOC	49	Want Want China
25	China Resources Enterprise	50	Tingyi

**Table 15– Stakeholder Engagement**

	Number of Companies	% of Companies
Formal procedure to identify and consult community stakeholders (i.e. employees, NGOs, government agencies, community organisations, shareholders, regulators, media, consumers, suppliers, etc)	34	68%
Incorporation of feedback gathered from community stakeholder into planning and decision making process	20	40%
Disclosure of key issues and concerns raised by stakeholders in the public domain	16	32%

## **Importance of Stakeholder Engagement**

There is a growing expectation that companies will engage directly with stakeholder groups. Rather than being concerned only with their own shareholders, employees and business partners, companies are increasingly seeking to engage with, and be accountable to, a broader range of external stakeholders. To respond to the demand from local communities (e.g. the negative impacts of development to be mitigated, for the benefits derived from development to be equitably distributed), requires to build relationships with stakeholders based on the desire to achieve mutually beneficial outcomes.

The stakeholder engagement criterion assesses the extent to which an organisation can demonstrate that it has in place formal procedures to identify and consult with community stakeholders on a non-selective basis. The extent to which an organisation employs techniques to incorporate stakeholder feedback into decision making processes is also measured.

Of the 50 stocks appraised, 68% (34 companies) have procedures in place to identify and consult with community stakeholders. Top performing company China Mobile Ltd. demonstrates an outstanding Sustainability Strategy and Management system which is utilised to enhance communication with a broad range of stakeholder groups including customers, employees, shareholders and investors, government and regulators, supply chain partners, and communities. Media platforms are also employed by the company to interact with stakeholders more effectively.

Interestingly, the performance by place of business chart indicates that a larger number of mainland China companies are reporting on their stakeholder engagement exercises in their sustainability reports. Again, using China Mobile Ltd. as an example, a comprehensive materiality analysis section can be found in the company's Sustainability Report, while PetroChina Co. Ltd.'s Sustainability Report includes good coverage of its key actions within a comprehensive table. China Life Insurance Co. Ltd. also exhibits strong practices having worked with consulting institutions to establish specific indicators to report and benchmark against.

The findings above reveal poorer company performance in the areas of incorporating stakeholder feedback and disclosure of key concerns in the public domain. Laggard companies such as Galaxy Entertainment Group Ltd., Want Want China Holdings Ltd. and Tingyi Cayman Islands Holdings Corporation all appear to provide no public disclosure in relation to stakeholder issues, therefore it is challenging for investors and the community at large to better understand what their policies and practices might entail. More generally it is often the practice of weaker performers to outline some feedback from stakeholders in their sustainability reports, however the concerns only pertain to the content of the sustainability report as opposed to other critical views about actual company operations. These companies also tend to present no detail on the actual integration of stakeholder feedback into the development of new strategies, programmes, policies and the like.

**Table 16 – Examples of Best Practices in Stakeholder Engagement (Only Publicly Available Information was presented)**

	<b>Formal Procedure to Identify and Consult Community Stakeholders</b>	<b>Incorporation of Feedback Gathered from Community Stakeholder into Planning and Decision Making Process</b>	<b>Disclosure of Key Issues and Concerns Raised by Stakeholders in the Public Domain</b>
China Mobile	<p>Identified six main stakeholder groups:</p> <ol style="list-style-type: none"> <li>1. Customers</li> <li>2. Employees</li> <li>3. Shareholders and investors</li> <li>4. Government and regulators</li> <li>5. Value Chain Partners</li> <li>6. Communities and environments</li> </ol> <p>Engagement approaches:</p> <ul style="list-style-type: none"> <li>• Communication event</li> <li>• Telephone hotline</li> <li>• New media</li> <li>• Online and media platform</li> <li>• Mobile app</li> <li>• Survey</li> <li>• Conference</li> <li>• Training</li> <li>• Reports</li> <li>• Forums and meeting</li> <li>• Mass media</li> </ul>	<p>Conduct materiality analysis to identify high materiality issues</p> <p>Linking the high materiality issues with company development</p>	<p>Disclosed information through stand alone ESG report</p>
Swire Pacific	<p>Identified seven main stakeholder groups:</p> <ol style="list-style-type: none"> <li>1. Employees</li> <li>2. Senior Management</li> <li>3. Investors</li> <li>4. Regulators &amp; government</li> <li>5. Academics &amp; NGOs</li> <li>6. Communication Professional</li> <li>7. Major Companies in community</li> </ol> <p>Engagement approaches:</p> <ul style="list-style-type: none"> <li>• Workshops</li> <li>• Conferences</li> <li>• Newsletter</li> <li>• Focus group</li> <li>• Interview</li> <li>• Forums</li> </ul>	<p>Identified issues with stakeholders that need the company to address</p> <p>Incorporate the issues into long-term sustainable growth</p>	<p>Disclosed information in a section in annual report and website</p>



**Table 17 – Ranking of Company by Transparency & Reporting**

Ranking	Company	Ranking	Company
1	Swire Pacific	26	Sinopec Petrochemical
2	HSBC	27	China Resources Land
3	CLP Holdings	28	China Mengniu Dairy
4	Cathay Pacific Airways	29	Bank of Communications
5	China Mobile	30	The Wharf
6	Hong Kong Exchanges and Clearing Ltd.	31	Bank of East Asia
7	Hang Seng Bank	32	Link REIT
8	Lenovo Group	33	CNOOC
9	Power Assets	34	Tencent
10	MTR Corporation	35	Ping An Insurance
11	China Shenhua Energy	36	Li & Fung
12	Sun Hung Kai Property	37	China Resources Enterprise
13	Hang Lung Property	38	Sands China
14	Hong Kong & China Gas	39	CK Hutchison
15	Industrial and Commercial Bank of China	40	AIA Group
16	PetroChina	41	Want Want China
17	China Construction Bank	42	Galaxy Entertainment
18	Bank of China	43	Tingyi
19	China Oversea Land and Investment	44	Hengan International Group
20	BOC Hong Kong	45	CITIC Pacific
21	China Life Insurance	46	China Unicom
22	Henderson Land Property	47	China Merchants
23	New World Development	48	Kunlun Energy
24	China Resources Power	49	CK Property
25	Sino Land	50	Belle International

**Table 18 – Transparency & Reporting**

	Number of Companies	% of Companies
Production of publicly available social impact report or statements	36	72%
Third party assurance of report	23	46%

To on par with International best practice in the context of reporting, (i.e. the production of a comprehensive social impact report or statement which is made publicly available), company uses international guidelines for public reporting systems (such as those set out in the Global Reporting Initiative) and incorporates performance indicators against the expectations of a diverse range of community stakeholders. Systems for the independent evaluation and verification of social impact data contained within reports are also taken into account.

A social impact report or statement might refer to reporting on the triple bottom line, the production of a social report distributed concurrently with the annual financial report (integrated report) or the publication of a sustainability/CSR report which incorporates social considerations into environmental reporting systems.

2015 revealed a marked increase in public reporting with several companies in Hong Kong and mainland China producing sustainability reports for the first time. Meanwhile, more sophisticated companies sought to expand and develop levels of transparency within their previous reporting frameworks. While research findings demonstrate that 72% of HSI constituents currently publish a stand-alone sustainability or CSR report, significant gaps still remain in terms of the structure, quality of information, and integrity of indicator data contained within reports. Transparency of reporting on human rights and occupational health and safety remain areas of weakest disclosure for companies such as mainland China entity China Construction Bank Corporation, which publishes a CSR Report, and Hong Kong conglomerate Cheung Kong Hutchison (Holdings) Ltd., which produces a 14-page ESG section within its annual report. As mentioned, other entities tend to publish glossy PR style CSR reports which are prepared by external

consultants and do not translate to or carry any genuine substance. Information contained within such reports usually remains vague and unclear.

The increased availability of credible guidelines for reporting has assisted companies to determine the most significant indicators to measure and benchmark against within their social and environmental reports. The statistics above show the number of companies that report against the Global Reporting Initiative's G4 and G3.1 guidelines, as well as HKEx's more recently established ESG Reporting Guideline. The 'other' category encompasses guidelines published by the Shanghai Stock Exchange, Chinese Academy of Social Sciences, the UN Global Compact, and the AA1000.

Interestingly, whilst there is a call for standardised social reporting and evaluations, others working in this area remain wary of prematurely adhering to prescriptive or rigid reporting frameworks. Given the fluid nature of reporting systems at this time it is to be expected that rating and other performance appraisal systems will also continue to remain diverse.

### 3.4 Workplace Practices

#### Importance of Workplace Practices

To achieve a high Workplace Practices score, an organisation should have a workplace that generates excellent management systems, policies, and strategies to ensure a positive cultural setting for employees. Communication and implementation should be of the best standard and should demonstrate excellent levels of employee involvement, Occupational Health and Safety, fair wages, a commitment to workforce diversity and work/life balance, training and development, and industrial relations policies should be founded on mutual respect. Executive remuneration should be fair and reflect a concern for all internal stakeholders.

For a full breakdown of all criteria, please refer to Appendix II Reputex ESG Criteria Definitions.

**Table 19– Overall Company Performance by Workplace Practices**

Ranking	Company Name	Sector	Industry	Rating
1.	CLP Holdings Ltd.	Utilities	Utilities - Power	Reliable
2.	MTR Corporation Ltd.	Industrials	Transportation	Reliable
3.	Swire Pacific Ltd.	Financials	Real Estate	Reliable
4.	HSBC Holdings Plc	Financials	Banks	Reliable
5.	Hong Kong Exchanges and Clearing Ltd.	Financials	Diversified Financials	Reliable
6.	Cathay Pacific Airways Ltd.	Industrials	Transportation	Reliable
7.	Hang Seng Bank Ltd.	Financials	Banks	Reliable
8.	Lenovo Group Ltd.	Information Technology	Technology Hardware & Equipment	Reliable
9.	Power Assets Holdings Ltd.	Utilities	Utilities - Power	Reliable
10.	Sun Hung Kai Properties Ltd.	Financials	Real Estate	Reliable
11.	Hang Lung Properties Ltd.	Financials	Real Estate	Satisfactory
12.	Henderson Land Development Co. Ltd.	Financials	Real Estate	Satisfactory
13.	Sino Land Co. Ltd.	Financials	Real Estate	Satisfactory
14.	The Hong Kong & China Gas Co. Ltd.	Utilities	Utilities - Power	Satisfactory
15.	BOC Hong Kong (Holdings) Ltd.	Financials	Banks	Satisfactory
16.	China Overseas Land & Investment Ltd.	Financials	Real Estate	Satisfactory
17.	CNOOC Ltd.	Energy	Utilities - Power	Satisfactory
18.	PetroChina Co. Ltd.	Energy	Utilities - Power	Satisfactory
19.	The Wharf (Holdings) Ltd.	Financials	Real Estate	Satisfactory
20.	Bank of China Ltd.	Financials	Banks	Satisfactory
21.	China Shenhua Energy Co. Ltd.	Energy	Utilities - Power	Satisfactory

Ranking	Company Name	Sector	Industry	Rating
22.	China Mobile Ltd.	Telecommunication Services	Telecommunications Services	Satisfactory
23.	Industrial and Commercial Bank of China Ltd.	Financials	Banks	Satisfactory
24.	Li & Fung Ltd.	Consumer Discretionary	Retailing	Satisfactory
25.	New World Development Co. Ltd.	Financials	Real Estate	Satisfactory
26.	The Bank of East Asia Ltd.	Financials	Banks	Satisfactory
27.	Link Real Estate Investment Trust	Financials	Real Estate	Unstable
28.	China Construction Bank Corporation	Financials	Banks	Unstable
29.	Bank of Communications Co. Ltd.	Financials	Banks	Unstable
30.	China Resources Enterprise Ltd.	Consumer Staples	Capital Goods	Unstable
31.	Tencent Holdings Ltd.	Information Technology	IT Software & Services	Unstable
32.	Cheung Kong Hutchison (Holdings) Ltd.	Financials	Conglomerates	Unstable
33.	China Resources Power Holdings Co. Ltd.	Utilities	Utilities - Power	Unstable
34.	Want Want China Holdings Ltd.	Consumer Staples	Food, Beverage & Tobacco	Unstable
35.	China Resources Land Ltd.	Financials	Real Estate	Unstable
36.	Sinopec Shanghai Petrochemical Co. Ltd.	Materials	Utilities - Power	Unstable
37.	China Life Insurance Co. Ltd.	Financials	Insurance	Unstable
38.	Galaxy Entertainment Group Ltd.	Consumer Discretionary	Consumer Services	Unstable
39.	China Mengniu Dairy Co. Ltd.	Consumer Staples	Food, Beverage & Tobacco	Unstable
40.	Ping An Insurance (Group) Co. of China Ltd.	Financials	Insurance	Unstable
41.	CITIC Pacific Ltd.	Industrials	Materials Processing	Unstable
42.	China Unicom Hong Kong Ltd.	Telecommunication Services	Telecommunications Services	Unstable
43.	Cheung Kong Property Holdings Ltd.	Utilities	Real Estate	Unstable
44.	China Merchants Holdings (International) Co. Ltd.	Industrials	Transportation	Unstable
45.	Sands China Ltd.	Consumer Discretionary	Consumer Services	Unstable
46.	Hengan International Group Co. Ltd.	Consumer Staples	Household & Personal Products	Unstable
47.	Kunlun Energy Company Ltd.	Energy	Utilities - Power	Unstable
48.	Belle International Holdings Ltd.	Consumer Discretionary	Consumer Durables & Apparel	Unstable
49.	Tingyi Cayman Islands Holding Corporation	Consumer Staples	Food, Beverage & Tobacco	Unstable
50.	AIA Group Ltd.	Financials	Insurance	Unstable

### 3.4.1 Employee Development and Training

**Table 20 – Company Rankings by Makeup of Workforce**

Ranking	Company	Ranking	Company
1	Cathay Pacific Airways	26	Industrial and Commercial Bank of China
2	Swire Pacific	27	China Mobile
3	CLP Holdings	28	CK Hutchison
4	Hong Kong Exchanges and Clearing Ltd.	29	China Shenhua Energy
5	MTR Corporation	30	China Resources Enterprise
6	HSBC	31	China Construction Bank
7	BOC Hong Kong	32	CITIC Pacific
8	Li & Fung	33	China Life Insurance
9	Hang Lung Property	34	Tencent
10	Bank of China	35	Sinopec Petrochemical
11	Sun Hung Kai Property	36	China Resources Power
12	Hang Seng Bank	37	China Resources Land
13	Lenovo Group	38	China Unicom
14	Henderson Land Property	39	Sands China
15	The Wharf	40	China Merchants
16	Sino Land	41	Want Want China
17	Power Assets	42	Ping An Insurance
18	China Oversea Land and Investment	43	Galaxy Entertainment
19	New World Development	44	China Mengniu Dairy
20	PetroChina	45	Belle International
21	Hong Kong & China Gas	46	Kunlun Energy
22	Bank of Communications	47	Tingyi
23	CNOOC	48	Hengan International Group
24	Bank of East Asia	49	CK Property
25	Link REIT	50	AIA Group

**Table 21– Makeup of Workforce**

	Number of Companies	% of Companies
Disclose employees breakdown	41	82%
Disclose offshore/outsourcing process	21	42%
Presence of effective labour policies and practices to mitigate risks with respect to workplace supply chain partners	23	46%

Factors assessed against the makeup of workforce criterion include the disclosure of employees by region and job type, offshoring/outsourcing processes, along with the presence of effective policies and practices to mitigate risk with respect to supply chain partners.

A very high figure of 82% of the stocks appraised (41 companies) disclose detailed statistics on the breakdown of their employees relevant to region, ethnicity and other key characteristics such as age, average years of service and academic qualifications. Only a small percentage of companies (18%) fail to provide data on overall makeup.

Top performers such as Cathay Pacific Airways Ltd. and Swire Pacific Ltd. highlight in-depth analysis of workforce trends from respective company data to assure stakeholders and shareholders that adequate planning is in place to cultivate a sustainable workforce.

Companies performing at lower levels fail to disclose any information. This is particularly concerning in the context of effective policies, practices and entitlements for supply chain partners and contractors. It is unclear what these standards entail, and moreover, what systems are in place to reinforce these. Often companies suggest that their suppliers adhere to labour standards, but without adequate public domain

disclosure making public monitoring impossible.

**Table 22 – Examples of Best Practices in Makeup of Workforce (Only Publicly Available Information was Presented)**

	<b>Disclose Breakdown</b>	<b>Employees</b>	<b>Disclose Offshore/Outsourcing Process</b>	<b>Presence of Effective Labour Policies and Practices to Mitigate Risk with Respect to Workplace Supply Chain Partners</b>
Cathay Pacific Airways	Disclosed numbers of employees by location, nationality employment type, gender, age group, years of service,		Disclosed numbers of employees by contract terms (permanent/contract, full-time/part-time)	<ul style="list-style-type: none"> <li>Publicly disclosed the labour standards (e.g. ILO, UN Global Compact) entailed to mitigate risk</li> <li>Required supplier in contract to complete a self assessment questionnaire to ensure compliance of code of conduct</li> <li>Used internal risk assessment system to classify supplier's risk level and carried out follow up actions (e.g. background check, site visits)</li> </ul>
Swire Pacific	Disclosed numbers of employees by location, gender, age group, nationality		Disclosed numbers of employees by contract terms (permanent/contract, full-time/part-time)	<ul style="list-style-type: none"> <li>Required supplier in contract to complete a self assessment questionnaire to ensure compliance of code of conduct</li> <li>Used internal risk assessment system to classify supplier's risk level and carried out follow up actions (e.g. background check, site visits)</li> </ul>

### 3.4.2 Organisational Culture and Diversity

**Table 23– Company Rankings by Workforce Stability**

Ranking	Company	Ranking	Company
1	CLP Holdings	26	Lenovo Group
2	Hong Kong Exchanges and Clearing Ltd.	27	Link REIT
3	Cathay Pacific Airways	28	China Life Insurance
4	MTR Corporation	29	New World Development
5	BOC Hong Kong	30	CK Property
6	Swire Pacific	31	Belle International
7	Sun Hung Kai Property	32	Ping An Insurance
8	Hang Seng Bank	33	PetroChina
9	Hang Lung Property	34	CNOOC
10	Power Assets	35	China Construction Bank
11	HSBC	36	Want Want China
12	Henderson Land Property	37	China Resources Power
13	Hong Kong & China Gas	38	China Mengniu Dairy
14	Sino Land	39	China Resources Land
15	Industrial and Commercial Bank of China	40	China Resources Enterprise
16	China Oversea Land and Investment	41	Tingyi
17	CK Hutchison	42	Sinopec Petrochemical
18	Bank of Communications	43	Sands China
19	The Wharf	44	Kunlun Energy
20	Li & Fung	45	Hengan International Group
21	Bank of East Asia	46	Galaxy Entertainment
22	Tencent	47	China Merchants
23	China Shenhua Energy	48	AIA Group
24	China Mobile	49	CITIC Pacific
25	Bank of China	50	China Unicom

Workforce stability considers a company’s retention rate and the strategies it has in place to reduce employee turnover. Research findings indicated that high performing companies as having a relatively low level of staff turnover, strategies in place to identify, report, and address the reasons for staff turnover, and assigned accountability for turnover within senior management ranks.

Most companies appear to adopt employee development and training programmes, attractive remuneration packages, work-life balance strategies, and a fair and non-discriminatory work environment, reflecting current interest and attention in the area of talent attraction and retention. Top performers also show an emphasis on using data from the exit interview process to gather knowledge of current work practices as well as suggestions for improvement; showing that staff retention is companies’ priority concern.

By way of example, CLP Holdings Ltd.’s sound performance against this criterion indicates that the company provides a competitive advantage over its peers as an employer of choice in terms of its ability to retain and attract the best talent in its industry. Employee breakdowns are disclosed in its public reports (both the Annual Report and Sustainability Report) as well as via the online sustainability portal, and statistics are well augmented by CLP’s myriad of ‘Responsible Procurement’ policies which create a solid procedural foundation.

**Table 24 – Examples of Best Practices in Workforce Stability (Only Publicly Available Information was Presented)**

	<b>Demonstrated Stability of Workforce and Employee Satisfaction</b>	<b>Strategy for Improving Staff Retention</b>
CLP Holdings	<p>Disclosed voluntary turnover rate by region, age group and gender</p> <p>Provided various employee engagement channels for collection of opinions, channels including team briefing, intranet, focus group, and employee engagement survey</p>	<ul style="list-style-type: none"> <li>• Career development plan with individualised objectives</li> <li>• Benchmarking remuneration with market to ensure competitiveness</li> <li>• Training and development activities including job-specific skills, generic management skills and language</li> <li>• Set up long-term human capital strategy with consideration of retirement rate to ensure workforce stability</li> </ul>
Hong Kong Exchanges and Clearing Ltd.	<p>Disclosed voluntary turnover rate by region, age group and gender</p> <p>Provided various employee engagement channels for collection of opinions, channels including briefing, offsite meeting and employee engagement survey</p>	<ul style="list-style-type: none"> <li>• Training and development activities including personal effectiveness and competence, management skills, language and personal development</li> <li>• Established committee to facilitate opinions from employees on how to enhance a happy workplace</li> <li>• Provide flexibility for employees to consider lateral moves and explore career opportunities internally</li> </ul>

**Table 25– Company Rankings by Work/Life Balance**

<b>Ranking</b>	<b>Company</b>	<b>Ranking</b>	<b>Company</b>
1	CLP Holdings	26	Ping An Insurance
2	Bank of East Asia	27	New World Development
3	Power Assets	28	Li & Fung
4	MTR Corporation	29	Galaxy Entertainment
5	Hang Seng Bank	30	CNOOC
6	Hong Kong & China Gas	31	China Resources Enterprise
7	Swire Pacific	32	China Life Insurance
8	Sino Land	33	CK Hutchison
9	Lenovo Group	34	Cathay Pacific Airways
10	Industrial and Commercial Bank of China	35	Henderson Land Property
11	China Mobile	36	China Unicom
12	China Construction Bank	37	China Merchants
13	BOC Hong Kong	38	China Mengniu Dairy
14	The Wharf	39	PetroChina
15	Tencent	40	China Resources Power
16	Sun Hung Kai Property	41	China Resources Land
17	Link REIT	42	CK Property
18	HSBC	43	AIA Group
19	Hong Kong Exchanges and Clearing Ltd.	44	CITIC Pacific
20	Hang Lung Property	45	Bank of Communications
21	China Shenhua Energy	46	Tingyi
22	China Oversea Land and Investment	47	Sands China
23	Bank of China	48	Kunlun Energy
24	Want Want China	49	Hengan International Group
25	Sinopec Petrochemical	50	Belle International

**Table 26 – Work/Life Balance**

	Number of Companies	% of Companies
Work life balance initiatives	38	76%

Regarding work/life balance policies, companies are appraised on the scope of programmes, along with equitable access and the effectiveness of such initiatives.

Research finds that well performed companies demonstrate the disclosure of proactive recommendations to enhance work/life priorities for employees. For example, CLP Holdings Ltd. offers its employees health care benefits, flexible hours, relevant leave entitlements as well as several other programmes aimed at encouraging general staff welfare and morale. Second highest performer, The Bank of East Asia Ltd., similarly provides a comprehensive range of staff benefits. The company's Employee Assistance Programme is particularly noteworthy, providing a range of interventions to help its workers cope with stress and anxiety as a result of work, family issues or personal challenges.

Weakest performers including Hengan International Group Co. Ltd. and Belle International Holdings Ltd. do not appear to provide any evidence of work/life balance initiatives in the public domain.

Effective work/life balance policies are likely to have a direct and palpable impact on business operations. Maintaining a harmonious relationship between work and personal life has been proven to reduce instances of worker burnout and improve job and employee satisfaction. This is likely to translate into a reduction in staff turnover, decreased training and recruitment costs and increased employee productivity and morale.

**Table 27 – Company Rankings by Diversity**

Ranking	Company	Ranking	Company
1	CLP Holdings	26	Henderson Land Property
2	HSBC	27	CK Hutchison
3	Cathay Pacific Airways	28	The Wharf
4	Industrial and Commercial Bank of China	29	New World Development
5	Hang Seng Bank	30	CITIC Pacific
6	Hong Kong Exchanges and Clearing Ltd.	31	China Resources Enterprise
7	PetroChina	32	Tencent
8	Lenovo Group	33	CNOOC
9	BOC Hong Kong	34	China Unicom
10	Sino Land	35	China Resources Land
11	Bank of China	36	China Mengniu Dairy
12	Swire Pacific	37	Want Want China
13	Li & Fung	38	Galaxy Entertainment
14	MTR Corporation	39	China Resources Power
15	Sun Hung Kai Property	40	Ping An Insurance
16	Power Assets	41	Hengan International Group
17	China Shenhua Energy	42	CK Property
18	Hang Lung Property	43	Sinopec Petrochemical
19	China Oversea Land and Investment	44	Link REIT
20	China Mobile	45	Sands China
21	China Construction Bank	46	Kunlun Energy
22	China Life Insurance	47	Tingyi
23	Bank of Communications	48	China Merchants
24	Hong Kong & China Gas	49	AIA Group
25	Bank of East Asia	50	Belle International



**Table 28– Company Diversity**

	<b>Number of Companies</b>	<b>% of Companies</b>
Recruitment and diversity strategies in place	22	44%
Inexistence of Equal Employment Opportunity policy	24	48%
Equal Employment Opportunity policies recognizes the rights of different groups	16	32%

The statistics show relatively unfavourable results in relation to the implementation of diversity programmes and reporting initiatives.

Top performing companies place responsibility for diversity within the company with senior management and have diversity strategies in place to recruit and retain a diverse range of persons across all levels of the organisation. Strategies can include disability action plans, indigenous employment programmes, flexible work practices at senior levels and mentoring programmes to increase the representation of women in senior management positions, strategies to recruit and retain older workers and on-going EEO training for all employees. Top performing companies also report statistics for all diversity categories, including management levels, and also monitor and report salary levels by gender. Statistical reporting reflects the progress of diversity strategies from year to year.

While most companies in the cohort indicate adequate diversity statistics reporting and EEO adherence, the point of difference for the benchmark includes the extent of disclosure, the domain of disclosure (public or private information) and innovation in recruitment strategies.

Promoting the right to a sustainable livelihood has always been a core mission of Oxfam. All individuals should enjoy the benefits of EEO regardless of gender and ethnicity. An effective EEO policy not only alleviates poverty effectively, but it can also promote wellbeing. A company which implements a sincere EEO policy also enhances the loyalty and productivity of its employee base. Despite the overwhelming advantages of diversity and EEO strategies to both companies and employees, overall EEO is not a common area of practice in Hong Kong and Asia more generally. Figures from the Hong Kong Census Department indicates that in Hong Kong, a significantly higher proportion of females work in elementary occupations including clerical supporting roles compared to males who are more likely to work as managers and administrators. Meanwhile, only 3.6% and 4.5% of people representing ethnic minorities work in management, administrator or professional roles, which is far below the entire working population of the Hong Kong market<sup>17</sup>. The data shows that specific groups of workers, namely females and individuals from ethnic minority groups, may not enjoy the same equal employment opportunities on offer as compared to others.

<sup>17</sup> 2011 Population Census.

**Table 29 – Examples of Best Practices in Human Rights and Supply Chain (Only Publicly Available Information was presented)**

	<b>Recruitment and Diversity Strategies in Place</b>	<b>Existence of Equal Employment Opportunity Policy</b>	<b>Equal Employment Policies Recognises the Rights of Different Groups</b>
CLP Holdings	<ul style="list-style-type: none"> <li>A recruitment policy that enhances gender balance in management level</li> </ul>	<ul style="list-style-type: none"> <li>Adopted equal opportunities policies which prohibit discrimination on nationality, religion, sexual orientation and age</li> <li>Workplace policy clearly states that the company will not practice or tolerate any discriminatory act or harassment based on gender, physical / mental ability, race, age, nationality, religion, family status and so forth</li> </ul>	<ul style="list-style-type: none"> <li>Established a diversity and inclusion council to formulate strategy to review the employment needs of indigenous people</li> </ul>
HSBC	<ul style="list-style-type: none"> <li>The company continued to address gender representation, particularly at senior levels, with additional focus on promotions and hiring</li> </ul>	<ul style="list-style-type: none"> <li>Adopted equal opportunities policies in accordance with domestic law</li> <li>The company adopted affirmative action programme in several countries</li> </ul>	<ul style="list-style-type: none"> <li>Global employee network to promote diversity including                             <ul style="list-style-type: none"> <li>gender, age,</li> <li>ethnicity, sexual orientation, religion,</li> <li>working parents and disability</li> </ul> </li> </ul>

### 3.4.3 Occupational Health and Safety (OH&S)

**Table 30 – Company Rankings by Occupational Health & Safety**

Ranking	Company	Ranking	Company
1	MTR Corporation	26	Sinopec Petrochemical
2	Henderson Land Property	27	Bank of East Asia
3	Power Assets	28	Tencent
4	Swire Pacific	29	BOC Hong Kong
5	Hang Seng Bank	30	China Resources Land
6	CNOOC	31	Industrial and Commercial Bank of China
7	Lenovo Group	32	China Construction Bank
8	HSBC	33	Bank of China
9	Hong Kong Exchanges and Clearing Ltd.	34	Galaxy Entertainment
10	CLP Holdings	35	Bank of Communications
11	Sun Hung Kai Property	36	Li & Fung
12	Hong Kong & China Gas	37	China Mengniu Dairy
13	Hang Lung Property	38	CK Property
14	Sino Land	39	CK Hutchison
15	Cathay Pacific Airways	40	Ping An Insurance
16	China Oversea Land and Investment	41	Hengan International Group
17	PetroChina	42	Sands China
18	China Shenhua Energy	43	Kunlun Energy
19	The Wharf	44	CITIC Pacific
20	Link REIT	45	China Merchants
21	Want Want China	46	China Life Insurance
22	New World Development	47	Tingyi
23	China Resources Power	48	China Unicom
24	China Mobile	49	Belle International
25	China Resources Enterprise	50	AIA Group

**Table 31 – OH&S Transparency**

	Number of Companies	% of Companies
Disclosure and evaluation of OH&S performance	25	50%
Transparency regarding in-house and/or independent audit outcome	15	30%

#### Importance of OH&S

The findings indicate that the HSI constituents continue to perform poorly against occupational health and safety criteria. Only 50% of companies appraised disclose information on OH&S performance, and the number of entities that divulge data on in-house and/or independent audit outcomes is even less, resting at 30% (15 companies).

Research findings shown that the well performed companies as those that fully disclose the data utilised in performance analyses and demonstrate transparency with respect to safety violations, improvement notices, prosecutions and workplace fatalities.

The majority of cohort companies are likely to benefit from increased stakeholder confidence and engagement as a result of further OH&S information disclosure which is considered a very effective mechanism in improving sincerity and providing assurance to stakeholders.

## 3.5 Environmental Impact

### Importance of Environmental Impact

To achieve the highest score in the Environmental Impact category, an organisation should demonstrate outstanding environmental stewardship and a commitment to environmental sustainability through the highest standards of accountability, responsibility, risk assessment and management, and improvement. It should actively contribute towards improved environmental outcomes with minimal impact throughout the supply chain, by establishing effective business and investment policies, environmental management strategies, stakeholder consultation, independently verified reporting systems at all levels, and effective working relationships with sector peers. Public disclosure should be comprehensive and reports should indicate a commitment to continuous improvement.

For a full breakdown of all criteria, please refer to Appendix II Reputex ESG Criteria Definitions.

**Table 32– Overall Company Performance by Environmental Impact**

Ranking	Company name	Sector	Industry	Rating
1.	MTR Corporation Ltd.	Industrials	Transportation	Reliable
2.	HSBC Holdings Plc	Financials	Banks	Reliable
3.	Lenovo Group Ltd.	Information Technology	Technology Hardware & Equipment	Reliable
4.	CLP Holdings Ltd.	Utilities	Utilities - Power	Reliable
5.	Swire Pacific Ltd.	Financials	Real Estate	Reliable
6.	Cathay Pacific Airways Ltd.	Industrials	Transportation	Reliable
7.	Power Assets Holdings Ltd.	Utilities	Utilities - Power	Reliable
8.	BOC Hong Kong (Holdings) Ltd.	Financials	Banks	Reliable
9.	China Mobile Ltd.	Telecommunication Services	Telecommunications Services	Reliable
10.	Li & Fung Ltd.	Consumer Discretionary	Retailing	Reliable
11.	Hang Lung Properties Ltd.	Financials	Real Estate	Satisfactory
12.	The Hong Kong & China Gas Co. Ltd.	Utilities	Utilities - Power	Satisfactory
13.	Bank of China Ltd.	Financials	Banks	Satisfactory
14.	Sun Hung Kai Properties Ltd.	Financials	Real Estate	Satisfactory
15.	Hang Seng Bank Ltd.	Financials	Banks	Satisfactory
16.	Hong Kong Exchanges and Clearing Ltd.	Financials	Diversified Financials	Satisfactory
17.	China Overseas Land & Investment Ltd.	Financials	Real Estate	Satisfactory
18.	Sino Land Co. Ltd.	Financials	Real Estate	Satisfactory
19.	The Wharf (Holdings) Ltd.	Financials	Real Estate	Satisfactory
20.	Henderson Land Development Co. Ltd.	Financials	Real Estate	Satisfactory
21.	China Shenhua Energy Co. Ltd.	Energy	Utilities - Power	Satisfactory
22.	PetroChina Co. Ltd.	Energy	Utilities - Power	Satisfactory
23.	Industrial and Commercial Bank of China Ltd.	Financials	Banks	Satisfactory
24.	CNOOC Ltd.	Energy	Utilities - Power	Satisfactory
25.	China Construction Bank Corporation	Financials	Banks	Satisfactory
26.	New World Development Co. Ltd.	Financials	Real Estate	Satisfactory
27.	Tencent Holdings Ltd.	Information Technology	IT Software & Services	Unstable
28.	China Merchants Holdings (International) Co. Ltd.	Industrials	Transportation	Unstable
29.	China Resources Power Holdings Co. Ltd.	Utilities	Utilities - Power	Unstable
30.	Sinopec Shanghai Petrochemical Co. Ltd.	Materials	Utilities - Power	Unstable
31.	Cheung Kong Hutchison (Holdings) Ltd.	Financials	Conglomerates	Unstable
32.	China Life Insurance Co. Ltd.	Financials	Insurance	Unstable

33.	Ping An Insurance (Group) Co. of China Ltd.	Financials	Insurance	Unstable
34.	CITIC Pacific Ltd.	Industrials	Materials Processing	Unstable
35.	Sands China Ltd.	Consumer Discretionary	Consumer Services	Unstable
36.	The Bank of East Asia Ltd.	Financials	Banks	Unstable
37.	Link Real Estate Investment Trust	Financials	Real Estate	Unstable
38.	China Resources Enterprise Ltd.	Consumer Staples	Capital Goods	Unstable
39.	China Unicom Hong Kong Ltd.	Telecommunication Services	Telecommunications Services	Unstable
40.	China Mengniu Dairy Co. Ltd.	Consumer Staples	Food, Beverage & Tobacco	Unstable
41.	Want Want China Holdings Ltd.	Consumer Staples	Food, Beverage & Tobacco	Unstable
42.	China Resources Land Ltd.	Financials	Real Estate	Unstable
43.	Cheung Kong Property Holdings Ltd.	Utilities	Real Estate	Unstable
44.	Bank of Communications Co. Ltd.	Financials	Banks	Unstable
45.	Tingyi Cayman Islands Holding Corporation	Consumer Staples	Food, Beverage & Tobacco	Unstable
46.	Galaxy Entertainment Group Ltd.	Consumer Discretionary	Consumer Services	Unstable
47.	AIA Group Ltd.	Financials	Insurance	Unstable
48.	Hengan International Group Co. Ltd.	Consumer Staples	Household & Personal Products	Unstable
49.	Kunlun Energy Company Ltd.	Energy	Utilities - Power	Unstable
50.	Belle International Holdings Ltd.	Consumer Discretionary	Consumer Durables & Apparel	Unstable

The Information Technology sector has achieved the best performance, although notably high impact sectors such as Industrials and Utilities have established systems to mitigate environmental impact related risks. As shown in the chart above, companies within these sectors lead the way in terms of overall environmental performance and recognise the importance of strong environmental management systems given the inherent environmental risks associated with their business models.

The findings reveal that 2 of the 9 sectors, the Consumer Discretionary and Consumer Staples sectors both demonstrated inadequate performance and provided limited information.

A number of companies within these sectors have a low environmental impact; nevertheless, substantial opportunities remain for companies such as Galaxy Entertainment Group Ltd. and Sands China Ltd. to reduce environmental impact through reduce energy use, water consumption and waste output, and through greater use of recycled inputs, and recycling. There is also scope to provide opportunities for customers using their services to adopt environmentally aware practices. No company in this sector is as yet taking a comprehensive approach to environmental management or is considering its environmental impact throughout the entire production/service chain.

### 3.5.1 Environmental Policy

**Table 33 – Company Rankings by Environmental Policy**

Ranking	Company	Ranking	Company
1	MTR Corporation	26	China Life Insurance
2	HSBC	27	Tencent
3	CLP Holdings	28	Ping An Insurance
4	Swire Pacific	29	China Resources Enterprise
5	Cathay Pacific Airways	30	China Shenhua Energy
6	BOC Hong Kong	31	PetroChina
7	Lenovo Group	32	China Unicom
8	Power Assets	33	New World Development
9	Hang Seng Bank	34	CITIC Pacific
10	China Mobile	35	CNOOC
11	Sun Hung Kai Property	36	China Resources Land
12	Bank of China	37	Bank of East Asia
13	Hong Kong & China Gas	38	Sinopec Petrochemical
14	Li & Fung	39	CK Property
15	Hang Lung Property	40	China Resources Power
16	Sino Land	41	Link REIT
17	Henderson Land Property	42	Want Want China
18	Hong Kong Exchanges and Clearing Ltd.	43	China Mengniu Dairy
19	Industrial and Commercial Bank of China	44	Bank of Communications
20	The Wharf	45	Belle International
21	Sands China	46	Hengan International Group
22	China Oversea Land and Investment	47	Tingyi
23	CK Hutchison	48	AIA Group
24	China Merchants	49	Galaxy Entertainment
25	China Construction Bank	50	Kunlun Energy

**Table 34 – Environmental Policy**

	Number of Companies	% of Companies
Disclosure of environmental policy	39	78%
Policy extends to all operations, business associations, outsourced agents and chain of supply	34	68%

The statistics demonstrate that the majority of HSI constituents disclose their environmental policy in the public domain reflecting positive recognition of environmental issues.

Despite this, 11 of the 50 HSI constituents rate as unstable which fail to disclose an actual policy. Most surprisingly, a select number of mainland China companies publish a CSR Report, yet there is a significant lack of detail provided within the reports, and no concrete environmental policy is made publicly available. While the disclosure of an environmental protection statement or declaration is an encouraging first step, it does not match the publication of a policy. These findings are well documented in the abovementioned chart, Performance by Place of Business: Environmental Policy.

### 3.5.2 Environmental Management System

**Table 35 – Ranking of Company by Environmental Management System**

Ranking	Company	Ranking	Company
1	Lenovo Group	26	China Mengniu Dairy
2	CLP Holdings	27	China Resources Power
3	MTR Corporation	28	China Life Insurance
4	HSBC	29	Bank of East Asia
5	China Oversea Land and Investment	30	China Unicom
6	Hang Seng Bank	31	China Resources Land
7	Cathay Pacific Airways	32	China Resources Enterprise
8	Power Assets	33	China Construction Bank
9	China Mobile	34	Industrial and Commercial Bank of China
10	Swire Pacific	35	CITIC Pacific
11	BOC Hong Kong	36	CK Hutchison
12	Bank of China	37	Sinopec Petrochemical
13	The Wharf	38	Galaxy Entertainment
14	Sun Hung Kai Property	39	CK Property
15	Li & Fung	40	Bank of Communications
16	China Shenhua Energy	41	Tencent
17	China Merchants	42	Sands China
18	New World Development	43	Ping An Insurance
19	Hong Kong Exchanges and Clearing Ltd.	44	Belle International
20	Sino Land	45	AIA Group
21	Hong Kong & China Gas	46	Want Want China
22	PetroChina	47	Hengan International Group
23	Henderson Land Property	48	Tingyi
24	CNOOC	49	Link REIT
25	Hang Lung Property	50	Kunlun Energy

**Table 36 – Environmental Management System**

	Number of Companies	% of Companies
Environmental management system	32	64%
Certificates against recognised management system	26	52%

Regarding Environmental Management System (EMS), the research examines whether an EMS in place is independently audited and/or aligned with an internationally recognised system, such as ISO 14001. Well articulated targets, benchmarks and implementation strategies are also assessed, as are the methods of external reporting, verification and management review cycles.

The findings show that while 64% (32 companies) of the HSI cohort have established an EMS, just over half (52%) indicate certification such as ISO 14001. Kunlun Energy Company Ltd., and Link Real Estate Investment Trust display the poorest performance against this criterion; the extent of their Environmental Management Systems and certifications are unknown, and their environmental targets also remain unclear.

Top performer Lenovo Group Ltd. has implemented an EMS which applies to 100% of its global manufacturing, research, product design and development activities. As part of Lenovo's ISO 14001 certification, China Electronics Standardisation Institute audits all major operations and product development organisations within China, and Bureau Veritas audits all operations outside of the Mainland.

CLP Holdings Ltd., only marginally outperformed by Lenovo Group Ltd., has employed a comprehensive and well designed EMS with 10 out of 15 facilities spread across Hong Kong, Australia, India, Thailand and mainland China indicating ISO 14001 certification.

**Table 37 – Company Rankings by Reduction of Ecological Footprint**

Ranking	Company	Ranking	Company
1	Lenovo Group	26	Link REIT
2	China Mobile	27	Want Want China
3	HSBC	28	Bank of East Asia
4	Swire Pacific	29	Industrial and Commercial Bank of China
5	MTR Corporation	30	China Construction Bank
6	Li & Fung	31	Sinopec Petrochemical
7	Cathay Pacific Airways	32	Tingyi
8	CLP Holdings	33	Ping An Insurance
9	Hang Lung Property	34	Tencent
10	The Wharf	35	Sands China
11	Hong Kong & China Gas	36	China Life Insurance
12	Sun Hung Kai Property	37	CITIC Pacific
13	Power Assets	38	China Merchants
14	China Oversea Land and Investment	39	China Mengniu Dairy
15	BOC Hong Kong	40	Hengan International Group
16	Bank of China	41	Galaxy Entertainment
17	Sino Land	42	China Resources Land
18	Hong Kong Exchanges and Clearing Ltd.	43	China Resources Enterprise
19	China Shenhua Energy	44	CK Hutchison
20	PetroChina	45	Bank of Communications
21	Henderson Land Property	46	China Unicom
22	CNOOC	47	CK Property
23	New World Development	48	Belle International
24	Hang Seng Bank	49	AIA Group
25	China Resources Power	50	Kunlun Energy

**Table 38 – Reduction of Ecological Footprint**

	Number of Companies	% of Companies
Regular monitoring and disclosure	31	62%
Emission reduction target and timelines	28	56%
Implementation of programmes and strategy	43	86%

The Reduction of Ecological Footprint criterion is an increasingly important risk metric for companies, investors and external stakeholders. Inaccurate or misleading reporting of greenhouse gas emissions can have significant reputational consequences for a company's share price and operating profile, well evidenced by recent media coverage surrounding German automaker Volkswagen Group<sup>18</sup>.

The statistics reflect reasonable efforts companies in controlling emissions. Of the 50 companies appraised, 62% (31 companies) display evidence of regular monitoring and disclosure of their emissions, while only 56% (28 companies) report on their quantitative emissions reduction targets and timelines to reduce emissions. Reporting on the implementation of programmes to reduce emissions, water and energy usage (including office ecology and recycling) has become an 'easy win' for a large proportion of Asian companies that struggle to demonstrate a genuine commitment to ESG. As such, stronger performance in this area - with 86% of companies demonstrating programmes and strategies - is in line with expectations, especially where mainland Chinese entities are concerned.

In Asia, with the introduction of a national Emissions Trading Scheme (ETS) expected in mainland China to replace pilot schemes already operational in key cities and provinces, (Guangdong, Hubei, Beijing, Chongqing, Shanghai, Shenzhen and Tianjin); the Scheme requires disclosure of a company's greenhouse gas emissions footprint. More broadly, all listed companies in China are likely to be bound to report their environmental emissions data, based on a new proposal put forward by the nation's central bank late last

<sup>18</sup> <http://www.bbc.com/news/business-34324772>



year following the stock market crash<sup>19</sup>. Oxfam believes that accuracy of greenhouse gas information is a key driver of market confidence and reputation.

### 3.5.3 Sustainability Investing

**Table 39 – Company Rankings by Sustainability Investing**

Ranking	Company	Ranking	Company
1	Swire Pacific	26	The Wharf
2	Power Assets	27	CITIC Pacific
3	HSBC	28	China Oversea Land and Investment
4	CLP Holdings	29	New World Development
5	Hang Seng Bank	30	CNOOC
6	MTR Corporation	31	China Unicom
7	Hong Kong Exchanges and Clearing Ltd.	32	Bank of East Asia
8	China Shenhua Energy	33	China Merchants
9	Bank of China	34	CK Property
10	Lenovo Group	35	CK Hutchison
11	Bank of Communications	36	Henderson Land Property
12	Hong Kong & China Gas	37	Tencent
13	China Construction Bank	38	Link REIT
14	Cathay Pacific Airways	39	China Resources Land
15	BOC Hong Kong	40	China Resources Enterprise
16	Li & Fung	41	Kunlun Energy
17	Industrial and Commercial Bank of China	42	China Mengniu Dairy
18	Ping An Insurance	43	AIA Group
19	Sun Hung Kai Property	44	Want Want China
20	Sinopec Petrochemical	45	Tingyi
21	Sino Land	46	Sands China
22	Hang Lung Property	47	Galaxy Entertainment
23	China Resources Power	48	Hengan International Group
24	PetroChina	49	China Life Insurance
25	China Mobile	50	Belle International

**Table 40 – Sustainability Investing**

	Number of Companies	% of Companies
Sustainability investment strategies	28	56%
Investment in pollution abatement, emissions reduction and clean technologies	22	44%

Regrinding sustainability investing, well performed companies establish stand-alone foundations dedicated to environmental and social investment, together with well defined ESG policies and strategies under Board level management.

The current global economy remains full of uncertainty with many countries entering the economic downturn. These financial restraints are reflected by the significant fall in sustainability investment from global corporations. Despite this, sustainability continues to thrive as a mainstream topic and in the fast growing Asian markets, sustainability investment is anticipated to grow to over USD\$2.0 trillion representing 10% of regional investments by 2020.

As noted, with increasing compliance exposure to emissions trading markets, investment in greenhouse gas emissions abatement activity is expected to increase over subsequent years, with many leading companies beginning to actively invest in new technologies and efficiencies in order to reduce their compliance exposure.

<sup>19</sup> [http://carbon-pulse.com/china-central-bank-chief-economist-proposes-mandatory-co2-reporting-for-listed-companies/?utm\\_source=CP+Daily&utm\\_campaign=#sthash.E9EUaqkl.dpuf](http://carbon-pulse.com/china-central-bank-chief-economist-proposes-mandatory-co2-reporting-for-listed-companies/?utm_source=CP+Daily&utm_campaign=#sthash.E9EUaqkl.dpuf)

High performing companies Swire Pacific Ltd., Power Assets Holdings Ltd. and HSBC Holdings Plc devote a large proportion of investment to environmental protection and/or sustainable manufacturing. The research shows that sustainability investing; there is a growing trend for some firms to establish environmental funds or venture capital funds to indirectly invest in the environmental protection industry.

By way of example, at Power Assets Holdings Ltd.'s subsidiary company, The Hongkong Electric Co. Ltd. (HK Electric), a clean energy fund has been set up to work with educational institutes to promote the concept of sustainable development. HK Electric is the first power utility in Hong Kong to introduce commercial scale renewable energy facilities for power generation. The company has also invested in a range of renewable energy projects including Lamma Winds in Hong Kong, and onshore wind farms in mainland China. Engagement also extends to promoting the use of environmentally friendly electric vehicles to improve roadside air quality in Hong Kong.

With 44% of companies failing to demonstrate sustainability investment strategies, and 56% of companies suggesting no investment in pollution abatement, emissions reduction and clean technologies, there is still room for the majority of entities for improvement.

### 3.5.4 Commitment to Ecologically Sustainable Development

**Table 41 – Company Rankings by Commitment to Ecologically Sustainable Development**

Ranking	Company	Ranking	Company
1	CLP Holdings	26	China Mobile
2	MTR Corporation	27	China Life Insurance
3	HSBC	28	Sinopec Petrochemical
4	Swire Pacific	29	Hang Seng Bank
5	Cathay Pacific Airways	30	CNOOC
6	Hang Lung Property	31	New World Development
7	Lenovo Group	32	China Resources Enterprise
8	Power Assets	33	CITIC Pacific
9	Henderson Land Property	34	Link REIT
10	Hong Kong & China Gas	35	China Resources Land
11	China Oversea Land and Investment	36	China Merchants
12	Hong Kong Exchanges and Clearing Ltd.	37	China Resources Power
13	CK Hutchison	38	China Unicom
14	BOC Hong Kong	39	Bank of Communications
15	Li & Fung	40	Tingyi
16	Tencent	41	Ping An Insurance
17	Sun Hung Kai Property	42	Kunlun Energy
18	PetroChina	43	AIA Group
19	The Wharf	44	China Mengniu Dairy
20	Sino Land	45	Sands China
21	Bank of China	46	Want Want China
22	China Shenhua Energy	47	Galaxy Entertainment
23	CK Property	48	Bank of East Asia
24	China Construction Bank	49	Hengan International Group
25	Industrial and Commercial Bank of China	50	Belle International

**Table 42 - Initiatives Supporting the Sustainable Use and Protection of Natural Resources**

	Number of Companies	% of Companies
Environmental research	27	54%
Demonstrated willingness to share research	21	42%
Mitigation strategies of environmental impacts	22	44%
Active participation in community activities	34	68%

The findings show that several cohort companies are increasingly focusing their R&D resources on GHG emissions reduction and energy conservation. For example, top performer CLP Holdings Ltd. has established the CLP Research Institute which aims to support technological innovation and environmental stewardship within the company through the sharing of knowledge.

The company has also introduced a dedicated Electric Mobility Development team to work with the government, industry and the community to promote and accelerate the adoption of electric vehicles in Hong Kong.

Table 45 demonstrates the handful of laggards which remain within the HSI constituents. These companies possess very low levels of engagement, particularly in the areas of willingness to share environmental research and development, and mitigation strategies of environmental impact for new business ventures and the like.

In contrast, leading companies in this area develop partnerships with universities, governments or sector bodies that promote and encourage research into green technology. Often such relationships extend to include employee participation in community activities to conservation projects.

## 3.6 Corporate Governance

### Importance of Corporate Governance

To demonstrate excellence in corporate governance an organisation must prove a strong ability to self-govern and self-regulate on an ethical, reliable, sustainable and socially acceptable basis.

For a full breakdown of all criteria, please refer to Appendix II RepuTex ESG Criteria Definitions.

**Table 43 – Overall Company Ratings: Corporate Governance**

Ranking	Company Name	Sector	Industry	Rating
1.	MTR Corporation Ltd.	Industrials	Transportation	Reliable
2.	Hong Kong Exchanges and Clearing Ltd.	Financials	Diversified Financials	Reliable
3.	CLP Holdings Ltd.	Utilities	Utilities - Power	Reliable
4.	Swire Pacific Ltd.	Financials	Real Estate	Reliable
5.	HSBC Holdings Plc	Financials	Banks	Reliable
6.	Industrial and Commercial Bank of China Ltd.	Financials	Banks	Reliable
7.	Cheung Kong Hutchison (Holdings) Ltd.	Financials	Conglomerates	Reliable
8.	Lenovo Group Ltd.	Information Technology	Technology Hardware & Equipment	Reliable
9.	Cathay Pacific Airways Ltd.	Industrials	Transportation	Reliable
10.	Bank of China Ltd.	Financials	Banks	Reliable
11.	BOC Hong Kong (Holdings) Ltd.	Financials	Banks	Reliable
12.	Power Assets Holdings Ltd.	Utilities	Utilities - Power	Reliable
13.	AIA Group Ltd.	Financials	Insurance	Reliable
14.	China Construction Bank Corporation	Financials	Banks	Reliable

Ranking	Company Name	Sector	Industry	Rating
15.	Hang Lung Properties Ltd.	Financials	Real Estate	Reliable
16.	Hang Seng Bank Ltd.	Financials	Banks	Reliable
17.	CNOOC Ltd.	Energy	Utilities - Power	Reliable
18.	China Mobile Ltd.	Telecommunication Services	Telecommunications Services	Reliable
19.	Li & Fung Ltd.	Consumer Discretionary	Retailing	Reliable
20.	China Unicom Hong Kong Ltd.	Telecommunication Services	Telecommunications Services	Reliable
21.	PetroChina Co. Ltd.	Energy	Utilities - Power	Reliable
22.	Tencent Holdings Ltd.	Information Technology	IT Software & Services	Reliable
23.	The Wharf (Holdings) Ltd.	Financials	Real Estate	Reliable
24.	Sino Land Co. Ltd.	Financials	Real Estate	Reliable
25.	China Overseas Land & Investment Ltd.	Financials	Real Estate	Reliable
26.	New World Development Co. Ltd.	Financials	Real Estate	Reliable
27.	The Hong Kong & China Gas Co. Ltd.	Utilities	Utilities - Power	Reliable
28.	Henderson Land Development Co. Ltd.	Financials	Real Estate	Reliable
29.	China Life Insurance Co. Ltd.	Financials	Insurance	Reliable
30.	Sun Hung Kai Properties Ltd.	Financials	Real Estate	Reliable
31.	Cheung Kong Property Holdings Ltd.	Utilities	Real Estate	Reliable
32.	Ping An Insurance (Group) Co. of China Ltd.	Financials	Insurance	Reliable
33.	The Bank of East Asia Ltd.	Financials	Banks	Reliable
34.	Link Real Estate Investment Trust	Financials	Real Estate	Reliable
35.	Bank of Communications Co. Ltd.	Financials	Banks	Reliable
36.	China Shenhua Energy Co. Ltd.	Energy	Utilities - Power	Satisfactory
37.	China Resources Power Holdings Co. Ltd.	Utilities	Utilities - Power	Satisfactory
38.	CITIC Pacific Ltd.	Industrials	Materials Processing	Satisfactory
39.	Galaxy Entertainment Group Ltd.	Consumer Discretionary	Consumer Services	Satisfactory
40.	Hengan International Group Co. Ltd.	Consumer Staples	Household & Personal Products	Satisfactory
41.	China Resources Enterprise Ltd.	Consumer Staples	Capital Goods	Satisfactory
42.	Sinopec Shanghai Petrochemical Co. Ltd.	Materials	Utilities - Power	Satisfactory
43.	Want Want China Holdings Ltd.	Consumer Staples	Food, Beverage & Tobacco	Satisfactory
44.	China Resources Land Ltd.	Financials	Real Estate	Satisfactory
45.	China Merchants Holdings (International) Co. Ltd.	Industrials	Transportation	Satisfactory
46.	Sands China Ltd.	Consumer Discretionary	Consumer Services	Satisfactory
47.	China Mengniu Dairy Co. Ltd.	Consumer Staples	Food, Beverage & Tobacco	Satisfactory
48.	Belle International Holdings Ltd.	Consumer Discretionary	Consumer Durables & Apparel	Satisfactory
49.	Tingyi Cayman Islands Holding Corporation	Consumer Staples	Food, Beverage & Tobacco	Satisfactory
50.	Kunlun Energy Company Ltd.	Energy	Utilities - Power	Satisfactory

### 3.6.1 Ethical Business Conduct

At the sector level, companies within the Financials sector are often more exposed to public scrutiny. Companies within the Financials sector therefore tend to have more comprehensive and rigorously monitored governance frameworks that incorporate systems for regulatory changes.

**Table 44 – Ranking of Company by Ethical Business Conduct**

Ranking	Company	Ranking	Company
1	MTR Corporation	26	China Shenhua Energy
2	Lenovo Group	27	AIA Group
3	CLP Holdings	28	Bank of East Asia
4	Hong Kong Exchanges and Clearing Ltd.	29	New World Development
5	Swire Pacific	30	Ping An Insurance
6	Power Assets	31	China Life Insurance
7	BOC Hong Kong	32	Link REIT
8	Hang Lung Property	33	CK Property
9	China Oversea Land and Investment	34	PetroChina
10	Cathay Pacific Airways	35	CNOOC
11	Bank of China	36	China Resources Enterprise
12	CK Hutchison	37	China Merchants
13	Hang Seng Bank	38	Bank of Communications
14	The Wharf	39	China Resources Power
15	China Construction Bank	40	Belle International
16	Sino Land	41	Hengan International Group
17	Industrial and Commercial Bank of China	42	CITIC Pacific
18	HSBC	43	China Resources Land
19	China Unicom	44	China Mengniu Dairy
20	Sun Hung Kai Property	45	Want Want China
21	Henderson Land Property	46	Galaxy Entertainment
22	Hong Kong & China Gas	47	Sinopec Petrochemical
23	Tencent	48	Tingyi
24	Li & Fung	49	Kunlun Energy
25	China Mobile	50	Sands China

**Table 45 – Initiatives to Demonstrate a Commitment to Highest Standards of Business Conduct**

	Number of Companies	% of Companies
Code of conduct	38	76%
Promotion and communication of organisation's standards across all business units, suppliers and contractors	34	68%
Demonstration of ethical performance	34	68%

Corporate Governance performance is somewhat reflective of the strict governance frameworks for listed companies. Corporate reporting indicates a compliance based approach to Corporate Governance regionally, with mandatory reporting in place for key issues such as ownership, audit and compliance and Director conduct.

Of the 50 stocks appraised, 76% (38 companies) had a written corporate code of conduct or business ethics in place, or some differently named but similar document. The majority of these codes of behaviour are satisfactorily and often well constructed, monitored and enforced.

Top performer MTR Corporation Ltd. has an extremely comprehensive Code of Conduct in place, in addition to its Corporate Guidebook for All Staff which is reviewed every two years. The code is made publicly available on the corporate website. Lenovo Group Ltd.'s Code of Business Conduct is also commendable as the document is easily accessible online and has been translated into seven languages.

Both companies have solid frameworks for training and awareness raising of their codes internally and externally across their supply chains. Encouragingly, 68% of the research cohort (34 companies) indicated techniques for the promotion and communication of their standards. Companies which exhibit mediocre levels of performance fail to demonstrate that standards contained within their codes are promoted at all.

**Table 46 – Company Rankings by Organisational Structure & Management**

Ranking	Company	Ranking	Company
1	HSBC	26	China Life Insurance
2	MTR Corporation	27	China Resources Power
3	Industrial and Commercial Bank of China	28	Sinopec Petrochemical
4	CK Hutchison	29	Ping An Insurance
5	Hong Kong Exchanges and Clearing Ltd.	30	Link REIT
6	CNOOC	31	Hang Lung Property
7	Cathay Pacific Airways	32	The Wharf
8	CLP Holdings	33	Hong Kong & China Gas
9	AIA Group	34	Bank of East Asia
10	Bank of China	35	Sino Land
11	PetroChina	36	Power Assets
12	Swire Pacific	37	Want Want China
13	BOC Hong Kong	38	Hengan International Group
14	China Mobile	39	Henderson Land Property
15	Li & Fung	40	CITIC Pacific
16	China Construction Bank	41	Sun Hung Kai Property
17	Sands China	42	China Resources Land
18	Tencent	43	China Resources Enterprise
19	New World Development	44	China Shenhua Energy
20	China Unicom	45	China Oversea Land and Investment
21	Bank of Communications	46	China Mengniu Dairy
22	Hang Seng Bank	47	China Merchants
23	Lenovo Group	48	Kunlun Energy
24	Galaxy Entertainment	49	Tingyi
25	CK Property	50	Belle International

Regarding the organisational structure and management, the majority of Hong Kong and mainland China companies have performed exceptionally well against this criterion, indicating publicly available Charters and Terms of Reference documents to establish the purposes, goals and responsibilities of the Board and Board committees.

Well performed companies tend to go beyond compliance demonstrating frameworks by which responsibilities are communicated internally within the company and ensure that Directors are familiar with fiduciary duties and the potential damage that can be caused by conflicts of interests. They also provide opportunities for their Directors to undertake continuing education to apprise themselves of the latest regulatory information.

# 4. The Latest Development of ESG Trends around the World

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## 4.1 The Changes in Global Legislative Initiatives

Europe and Australia are often grouped together as leaders in ESG with the US and Canada making significant progress towards integrating ESG and nonfinancial information into their decision-making. The Asia-Pacific region, excluding Australia and New Zealand, is seen to lag behind the rest of the world in its ESG reporting, however, there are a number of initiatives resulting in positive change in this area.

Regionally, since 2005 in Japan, the 'Law on the Promotion of Business Activities with Environmental Consideration by Specified Corporation' has also been put in place, requiring specified companies and government agencies to publish annual reports on their activities related to the environment. It is likely to see improved gender diversity as the impact of amendments to the Company Law, which were implemented in June 2015, takes effect. The government has set a gender diversity target by 2020 that 30% of all layers of management should be occupied by female<sup>20</sup>.

In 2012, the Indonesian Government enacted a CSR regulation that compels listed companies and companies that manage or utilise natural resources to disclose information in the Annual Report on the implementation of their CSR work plans. In 2015, the Taiwan Stock Exchange emerged as the first market in the Asia-Pacific region to mandate ESG reporting for specific listed companies. There is an expectation that mandatory ESG disclosure will become increasingly popular following the Taiwan example.

Looking to Europe, in 2014, the EU directive on disclosure of nonfinancial and diversity information made it compulsory for 6,000 large European companies to publish information on ESG factors. Similarly, since 2013, the Norwegian Government has been requiring large companies to provide information about what they do to integrate consideration for human rights, labour rights and social issues, the environment and anti-corruption in their business strategies, in their daily operations, and in the context of their relationships with stakeholders.

The United Kingdom also amended its Companies Act in 2006 and 2013 respectively, with amendments calling on companies to disclose information relating to greenhouse gas emissions, human rights and gender diversity performance among other aspects.

Lastly, in the context of the Americas, in 2010, the Securities and Exchange Commission in the United States issued a set of guidelines on climate disclosure requiring companies to disclose data on the impacts of climate change in the context of their businesses (Please refer to Appendix 3).

A further nine stock exchanges around the world require environmental and social reporting including Canada, China, India, Malaysia, Norway, South Africa, Sri Lanka and Thailand. This trend continues to grow.

As over 190 countries achieved a legally binding and universal agreement on climate, with the aim of keeping global warming below 2°C at COP21 in Paris in December 2015, institutional investors are becoming more concerned with reducing their carbon exposure. In the lead up to COP21, the US and China together made a Joint Presidential Statement on Climate Change which emphasised their common vision for a new global climate agreement. Furthermore, China entered into a number of other bilateral and

<sup>20</sup> Global and Regional Trends for Corporate Governance in 2016. *Russell Reynolds Associates*. 4 January, 2016.

multilateral agreements on climate change and clean energy, including with Germany, France, the United Kingdom and India.

The trend of these global leaders to enter into a legally binding agreement at COP21 as well as bilateral and multilateral agreements on climate change and clean energy is paving the way for strengthening domestic climate policies, and promoting sustainable development and the transition to green, and low-carbon economic model. The impact of the leadership of China in particular may result in other emerging economies in Asia, South America and Africa to also improve their ESG policy frameworks and overall performance.

A survey by Ernest & Young<sup>21</sup> has found a growing trend in the number of companies that regard mandatory board oversight of non-financial performance reporting essential or important. Furthermore, a significant increase in the number of companies which consider corporate social responsibility or sustainability reports as well as integrated reports essential or important when making investment decisions was found. Most significantly, it was revealed that investors believe organisations do not adequately disclose ESG risks.

## 4.2 New Sustainability Initiatives of Stock Exchanges

In 2015, the world agreed to 17 sustainable development goals which aim to end poverty, protect the planet, and ensure prosperity for all. Stock exchanges are best positioned to support a number of the sustainable development goals including gender equality, sustainable information, climate change and global partnerships by creating or supporting existing initiatives.

In March 2014, the Sustainability Working Group (as part of the World Federation of Exchanges) was created to promote improvements in sustainability and ESG through best practice standards and suggest sustainability recommendations to the World Federation of Exchanges as a whole. Currently the working group has 21 member exchanges making this working group highly influential and dynamic for creating change in this important area.<sup>22</sup>

Since 2009, a number of sustainability indexes have been launched in countries such as Korea, Egypt, United States, Taiwan, Mexico, Germany, Japan, China, Luxembourg, Qatar, Turkey and Switzerland. The largest index is the STOXX Global ESG Leaders Indices which is listed on the Deutsche Börse AG and lists 339 companies. Furthermore, the number of exchanges which offer sustainability guidance or training has risen to 19, with a number of exchanges such as the Nigerian Stock Exchange and the Egyptian Exchange committed to provide guidance in 2016.

Compared Hong Kong to international practice, Hong Kong is relatively slow in progress in the ESG disclosure requirements. The HKEx elected to strengthen its Environmental, Social and Governance (ESG) Reporting Guide requirements from voluntary to a 'comply or explain' reporting on 21 December, 2015<sup>23</sup>. These amendments compel the 1,894<sup>24</sup> currently listed companies to report in either their annual or ESG reports for the relevant financial year and this new approach has already come into effect from January 2016<sup>25</sup>.

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<sup>21</sup> Tomorrow's Investment Rules 2.0. Emerging risk and stranded assets have investors looking for more from nonfinancial reporting. *Ernest & Young*. 2015.

<sup>22</sup> Exchanges and ESG Initiative – SWG Report and Survey. *World Federation of Exchanges. Sustainability Working Group (SWG)*. 23 July, 2015.

<sup>23</sup> <http://www.hkex.com.hk/eng/newsconsul/hkexnews/2015/151221news.htm>

<sup>24</sup> As of the end of April 2016, including both Main Board and Growth Enterprise Market

<sup>25</sup> <http://csr-asia.com/csr-asia-weekly-news-detail.php?id=12545>



## 5. Conclusion

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The study indicated that most of the HSI constituents displayed commitments to ESG transparency, though 16 companies still fell into the ‘Unstable’ category. All HSI constituents were categorised as ‘Satisfactory’ or ‘Reliable’ with regard to corporate governance and companies’ social impact, indicating a strong and positive correlation between regulations and performance. That said, workplace and environmental performance took a backseat.

With the promotion of Oxfam and community, HKEx has set up its first ESG reporting guideline and served as recommended practice for listed companies in 2013. To on par with international trend, the HKEx completed its consultation exercise on ESG reporting last December, and raised its ESG reporting requirements to ‘comply or explain’ after 1 January, 2016; companies are required to disclose their general policies, statistical figures on performance are not required. A higher standard of disclosure with regard to its environmental key performance indicators will further adopt a ‘comply or explain’ approach in 2017. However, this means that reporting on key performance indicators with regard to social aspects is not required.

This study has shown that companies perform most poorly in terms of workplace practices. Workplace practice was neglected in the HKEx’s ESG guide in which workplace practices was categorises as into social aspect. It reflects the very fact that without standards that require companies to release key performance indicators in regard to workplace practice, companies may not be motivated to improve their workplace practices.

Apart from the above, a large number of companies performed poorly in the areas of human rights and supply chain management. Without effective monitoring initiatives, the human rights of poor people in both Hong Kong and developing countries are not sufficiently protected. OHK always concern issues about human rights, employment rights and supply chain management, and believes that effective monitoring could improve workers’ livelihoods and protect their rights. We thus encourages companies to formulate and implement human and employment rights policies that are on par with international standards, offering fair wage that can support decent life and preventing discrimination and protect workers from other threats. If these policies are extended to supply chains, the benefits would be further maximised.

Companies in the ‘Unstable’ category may have fallen into the category as they were unaware of the need to implement adequate policies, or they were unable to upload or release their performance information publicly. OHK calls for those companies should adopt international standards to being more transparent with their policies and practices immediately.

## **Appendix I                      Companies that Provided Additional Information**

1.     AIA Group Ltd
2.     Bank of China Ltd
3.     BOC Hong Kong (Holdings) Ltd
4.     Cathay Pacific Airways Ltd
5.     China Merchants Holdings (International) Co. Ltd
6.     China Resources Enterprise Ltd
7.     CNOOC Ltd
8.     Hang Lung Properties Ltd
9.     Hang Seng Bank Ltd
10.    Henderson Land Development Co. Ltd
11.    Hong Kong Exchanges & Clearing Ltd
12.    HSBC Holdings Plc
13.    Lenovo Group Ltd
14.    MTR Corporation Ltd
15.    New World Development Co. Ltd
16.    Power Assets Holdings Ltd
17.    Tencent Holdings Ltd
18.    The Bank of East Asia Ltd
19.    The Hong Kong & China Gas Co. Ltd

## Appendix II Reputex ESG Criteria Definitions: Core Areas and Indicators

Areas		Indicator
Workplace Practice	Employee Development & Training	<ul style="list-style-type: none"> <li>Employee breakdown by position levels, job type and region.</li> <li>The impact of off-shoring/outsourcing processes, for example statistics on the percentage of casuals or part-time employees that make up the overall workforce.</li> <li>The presence of effective policies and practices to mitigate risk with respect to workplace supply chain partners</li> </ul>
	Organisational Culture & Diversity	<ul style="list-style-type: none"> <li>Demonstrated stability in workforce numbers and employee satisfaction.</li> <li>Strategies for improving staff retention.</li> <li>Evidence of initiatives such as paid parental leave, employee health programs, flexible leave and working arrangements, and assistance with obtaining access to childcare facilities.</li> <li>Disclosure of current diversity statistics (age, gender, education levels).</li> <li>Evidence of recruitment and diversity strategies, for example, the distribution of diversity through employee levels and ranks, and the employment and promotion of ethnic minorities.</li> <li>A publicly available EEO policy that formally recognises the rights of, for example, migrant workers, women, pregnant women, and employees with disabilities.</li> <li>No discrimination regarding the employment, promotion or redeployment of workers processes.</li> </ul>
	Occupational Health & Safety	<ul style="list-style-type: none"> <li>Publication and monitoring of OH&amp;S targets and objectives</li> <li>Disclosure and evaluation of OH&amp;S performance;</li> <li>Transparency regarding in-house and/or independent audit outcomes.</li> </ul>
Environmental Impact	Environmental Policy	<ul style="list-style-type: none"> <li>Disclosure of an environmental policy that demonstrates a proactive commitment to environmental stewardship and sustainability, and indicates an awareness of the issues posed by climate change.</li> <li>Policy extends to all operations, business associates, outsourced agents and the chain of supply.</li> </ul>
	Environmental Management System	<ul style="list-style-type: none"> <li>Evidence of an EMS that addresses all environmental risk areas relevant to the organisation such as air, soil, and water pollution, greenhouse gas emissions, energy and water usage, waste, and management of renewable resources that protect biological diversity.</li> <li>Regular monitoring and auditing of the EMS with documented procedures for risk identification, assessment, management, minimisation and restoration.</li> <li>Certification against recognised management systems such as ISO 14001.</li> <li>Regular monitoring and disclosure of emissions (including CO<sub>2</sub>, CH<sub>4</sub>, NO<sub>x</sub>, SO<sub>x</sub> and other pollutants such as those in wastewater), water and energy usage (fuel type breakdown)</li> </ul>

Areas		Indicator
		<p>across all operations to a recognised standard, including disclosure of historical data and third party verification through annual or sustainability reports or company response to the carbon disclosure project (CDP), with the organisation outlining the nature (regulatory vs. voluntary) as well as scope and boundary of disclosure.</p> <ul style="list-style-type: none"> <li>Evidence of quantitative emissions reduction targets and timelines to reduce emissions (including hazardous waste), water and energy usage across all operations with any historical success outlined as part of the organisation's key performance indicators (KPIs), and the organisation regularly reviewing and updating such targets.</li> <li>Demonstrated commitment to the implementation of programs and strategies to reduce emissions or emissions intensity, and water and energy usage across all operations. Such strategies may include energy efficiency, renewable energy usage, process optimisation, re-use, recycling and offsetting.</li> <li>Benchmarking of the carbon intensity of the organisation across the value chain compared with industry average.</li> </ul>
	Sustainability Investing	<ul style="list-style-type: none"> <li>Sustainability investment strategies that take into account the environmental performance or business nature of entities in which the organisation invests, such as acquisitions in renewable companies, capital investments, investment of shareholder funds, superannuation investments, and loans.</li> <li>Investment in pollution abatement, emissions reduction and clean technologies (for instance targeting CO<sub>2</sub>, NO<sub>x</sub>, SO<sub>x</sub> and dust).</li> </ul>
	Commitment to Ecologically Sustainable Development	<ul style="list-style-type: none"> <li>Commitment to environmental research and/or development (apparent by level of expenditure on R&amp;D), and the establishment of a formal team or department to drive efforts in this area.</li> <li>Benchmarking of the carbon intensity of the organisation across the value chain compared with industry average</li> <li>Demonstrated willingness to share research, for example with organisation peers and government, to reduce dependency on natural resources.</li> <li>Level of consideration and mitigation strategies of environmental impacts (e.g. impacts on biodiversity, land, emissions) for any new business ventures, acquisitions and expansions.</li> <li>Active participation in community activities to protect biological diversity and ensure the integrity of restoration and conservation projects.</li> </ul>
Social Impact	Community Investment	<ul style="list-style-type: none"> <li>The extent to which an organisation provides support in the form of direct financial resources, in-kind support, the sharing of expertise, staff volunteering or an employee giving scheme.</li> <li>Areas of community investment may cover arts and cultural activities, education, sports, community health and welfare, poverty alleviation or occur through philanthropic foundations.</li> </ul>
	Human Rights and Supply Chain	<ul style="list-style-type: none"> <li>The provision of clear support for and promotion of internationally accepted human rights standards such as those set out in the United Nations Global Compact and the United Nations Declaration of Human Rights.</li> <li>Implementation of procedures and frameworks to prevent</li> </ul>

Areas	Indicator	
		<p>violations of human rights including programmes to develop workforce awareness, minimise risks of discriminatory practices and prevent workplace bullying or harassment, and improvement of human rights performance against any reported violations or weaknesses.</p> <ul style="list-style-type: none"> <li>• Evidence that human rights standards are central to planning for new and existing projects and extend to the distribution of goods and services in the chain of supply.</li> </ul>
	Consumer Rights and Empowerment	<ul style="list-style-type: none"> <li>• The availability of charters or policies which disclose important information relevant to consumers, including guidelines for the protection of personal data, and guarantees for recourse where rights are violated.</li> <li>• The certification of the organisation's products to recognised national and international safety and quality standards relevant to its industry sector.</li> <li>• Clear communication of complaint resolution systems which allow for independent review.</li> <li>• Resolution of complaints in a fast and expedient manner.</li> </ul>
	Stakeholder Engagement and Reporting	<ul style="list-style-type: none"> <li>• Formal procedures to identify and consult with community stakeholders on a non-selective basis.</li> <li>• The incorporation of feedback gathered from community stakeholders into planning and decision making processes.</li> <li>• Disclosure of key issues and concerns raised by stakeholders in the public domain.</li> <li>• The production of a social impact report or statement which is made publicly available.</li> <li>• The use of credible guidelines for public reporting (such as the Global Reporting Initiative) which incorporate performance indicators against the expectations of a diverse range of community stakeholders.</li> <li>• Verification of social impact performance and data by an independent auditor, or an independent agency is responsible for the verification of the organisation's wider social reporting procedures.</li> </ul>
Corporate Governance	Ethical Business Conduct	<ul style="list-style-type: none"> <li>• A publicly available statement of the organisation's business principles and values supported by a comprehensive code of conduct or code of ethics that clearly sets out the organisation's requirements for directors and employees.</li> </ul>
		<ul style="list-style-type: none"> <li>• Evidence of frequent promotion and communication of the organisation's standards and requirements across all business units, suppliers, and contractors, and evidence that it monitors and audits performance.</li> <li>• Demonstration of the organisation's ethical performance both within the organisation and the wider community, including any awards or recognition for such performance.</li> </ul>
	Organisational Structure & Management	<ul style="list-style-type: none"> <li>• Publicly available governance charters, policies and terms of reference that clearly set out the composition, procedures and responsibilities of the Board and all established Board subcommittees within the organisation.</li> <li>• Evidence of independent and nonexecutive representation on the Board.</li> <li>• Public disclosure of the remuneration of Board members.</li> <li>• Information on the competency of the Board, Board sub-</li> </ul>

<b>Areas</b>		<b>Indicator</b>
		committees and senior management including qualifications, experience, details of affiliations with management and controlling shareholders, and positions held with other organisations.

## Appendix III Global trends in ESG disclosure

### Asia Region

Institution	Scope of Application	Disclosure Model	Scope of Subject Matter	Disclosure Standard	Accountability Mechanism
Shanghai Stock Exchange <sup>26</sup> Shenzhen Stock Exchange <sup>27</sup> (2008)	Certain listed companies	Mandatory	Environment, social and governance matters	-	Companies may face certain disciplinary actions
Taiwan Stock Exchange	Listed companies in Taiwan in the food industry; specific companies whose dining service revenue in the past year constitutes over 50 per cent of their total revenue; the financial services industries; the chemical industry, and companies with paid-in capital of over NT\$10 billion (HK\$2.7 billion) <sup>28</sup> .	Mandatory	Companies must disclose critical information related to the industries in which they operate, including information on economic, environmental and social factors, as well as direction in management and key performance indicators	Adheres to the G4 Guidelines	The listed company may be imposed from NT\$30 thousand to NT\$ 1 million fine in accordance with the severity of the violations. If the company does not take any remedial measures, the stock may be suspended from trading <sup>29</sup>
The Government of Japan <sup>30</sup> (2005)	Specific corporations	Mandatory	Prepare and publish an environmental report each business or financial year	-	A civil fine shall be imposed
Bursa Malaysia (2008) <sup>31</sup>	Listed issuer and its subsidiaries	Mandatory	A description of the corporate social responsibility activities or practices	-	Listed companies may receive a warning letter or they may be fined. Securities may be subject to suspension and delisting in serious cases
Indonesia Government (2012) <sup>32</sup>	Limited liability companies and companies that have business activities in the field of, and/or related to natural resources	Mandatory	Implementation of social and environmental responsibility shall be contain in the annual report	Take reference to GRI framework	Companies will be penalised in accordance with the provision of the legislation

<sup>26</sup> <https://biz.sse.com.cn/cs/zhs/xxfw/flgz/rules/sserules/sseruler20080514a.htm>

<sup>27</sup> <http://www.szse.cn/main/en/rulsecandregulations/sserules/2007060410636.shtml>

<sup>28</sup> [http://www.twse.com.tw/en/about/press\\_room/tsec\\_news\\_detail.php?id=15960](http://www.twse.com.tw/en/about/press_room/tsec_news_detail.php?id=15960)

<sup>29</sup> <http://www.twse.com.tw/ch/products/publication/download/0001001821.pdf>

<sup>30</sup> <https://www.env.go.jp/en/laws/policy/business.pdf>

<sup>31</sup> <http://www.bursamalaysia.com/market/sustainability/sustainabilityreporting/sustainability-reporting-guide-and-toolkits/>

<sup>32</sup> <http://www.ibanet.org/Article/Detail.aspx?ArticleUid=103427a1-0313-4d6c-b7f7-c5deb0bedbb5>

## Appendix III Global trends in ESG disclosure

### Europe and America

Institution	Scope of Application	Disclosure Model	Scope of Subject Matter	Disclosure Standard	Accountability Mechanism
Council of the European Union (2014) <sup>33</sup>	Large listed companies that have more than 500 employees	Mandatory. Companies that do not have a specific policy in one or more of the ESG areas need to explain why this is the case	In their management reports, companies must disclose information on their policies, the risks and results in terms of environmental matters, social and employee-related matters, human rights, anti-corruption and bribery issues, as well as diversity within the boards of directors	Adheres to international standards, (e.g. follows UN Global Compact, OECD Guidelines for multinational enterprises and ISO 26000)	Member States shall take all the measures necessary to ensure that those penalties are enforced; the penalties provided for shall be effective, proportionate and dissuasive <sup>34</sup>
U.K. Government (2006/2013) <sup>35</sup>	U.K. quoted companies including those that are (a) incorporated in the U.K.; and (b) whose equity share capital is (i) officially listed on the Main Market of the London Stock Exchange; or (ii) officially listed in a European Economic Area; or (iii) admitted for dealing on either the New York Stock Exchange or NASDAQ	Mandatory	Environmental matters, employees, social and community issues, greenhouse gas emissions, human rights and gender diversity	-	A person guilty of an offence is liable to a fine
U.S. Securities and Exchange Commission (2010) <sup>36</sup>	All listed companies	Mandatory	Submit annual reports (on Form 10-K) to SEC with information on a number of environmental matters, such as expenditure on environmental controls, and pending environmental litigation	-	The listed company may face administrative prosecution; SEC may revoke the registration of the reporting company <sup>2</sup>

<sup>33</sup> <http://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32014L0095&from=EN>

<sup>34</sup> <http://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32013L0034&from=EN>

<sup>35</sup> [https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/206241/bis-13-889-companies-act-2006-draft-strategic-and-directors-report-regulations-2013.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/206241/bis-13-889-companies-act-2006-draft-strategic-and-directors-report-regulations-2013.pdf)

<sup>36</sup> <https://www.sec.gov/rules/interp/2010/33-9106.pdf>



Institution	Scope of Application	Disclosure Model	Scope of Subject Matter	Disclosure Standard	Accountability Mechanism
The Norwegian Government (2013)	Large companies	Mandatory	Human right, labor rights, and social issues, environmental, and anti-corruption in their business strategies	Adheres to GRI frameworks or UN Global Compact	No related information <sup>37</sup>
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<sup>37</sup> <https://www.globalreporting.org/resourcelibrary/Carrots-and-Sticks.pdf>