



# 2022 ESG Reporting Study for Hong Kong Listed Companies



# Table of Contents

<b>1</b>	<b>Sample distribution of listed companies surveyed</b>	<b>3</b>
<b>2</b>	<b>Our focus of this year:</b>	<b>6</b>
	2.1 Case Study 1: ESG disclosures are getting more mature and advanced	7
	2.2 Case Study 2: Thorough assessment and early disclosure are important to address the rising risks come with climate change	17
	2.3 Case Study 3: Setting emission reduction targets to achieve dual carbon goals	20
<b>3</b>	<b>Details of the study</b>	<b>23</b>
	3.1 Overview	24
	3.2 Mandatory disclosure requirements	29
	3.3 Management and disclosure of environmental information	34
	3.4 Management and disclosure of social information	41
<b>4</b>	<b>Conclusion and outlook</b>	<b>51</b>
	<b>Appendices</b>	<b>53</b>







1

Sample distribution of listed companies surveyed



# Background and methodology

In order to understand ESG reporting of Hong Kong listed companies in different industries, PwC categorised Hong Kong listed companies which released their 2021 ESG reports into 12 primary industries\* as defined by the Hang Seng Industry Classification System, and selected a number of samples from each industry for an in-depth study of their ESG reporting. This is the sixth consecutive year that we have conducted the study.

Based on the “Main Board Listing Rules Appendix 27 Environmental, Social and Governance Reporting Guide 2021 version” (the ESG Reporting Guide) and other Hong Kong Exchanges and Clearing Limited (HKEX) ESG documents, this study analyses the overall information of ESG reports (e.g. disclosure format) of Hong Kong listed companies, as well as the mandatory disclosure requirements set out in the ESG Reporting Guide (e.g. governance structure), and the disclosure of environmental issues (e.g. A1 Emissions) and social issues (e.g. B1 Employment). We divided the issues into three categories based on the maturity of disclosure. The study specifically covers following aspects:

- Overall disclosure of ESG reporting
- Mandatory disclosure requirements
- Management and disclosure of environmental information
- Management and disclosure of social information
- Disclosure maturity of each ESG issue

Limitations on the study: Due to the random selection of samples in the analyses, there may be differences between the selected samples and the overall status. This may lead to discrepancies in the findings, and thus may not reflect the actual situation of individual companies.

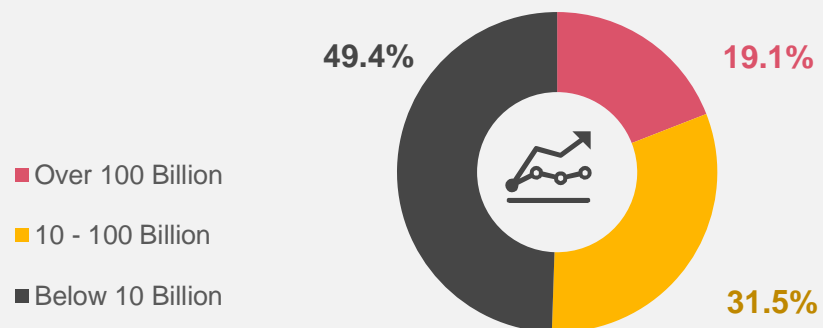
\* A new primary industry, SPAC, was added to the Hang Seng Industry Classification System, but there are only 2 listed companies in this industry and none of them have published their ESG reports, so they are not included in the sample.



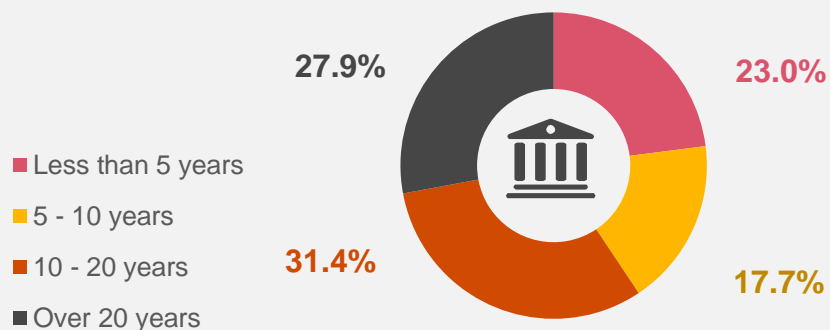
# Sample distribution of listed companies surveyed

The distributions of the companies studied in terms of market capitalisation, time of listing and HSI constituents are as follows:

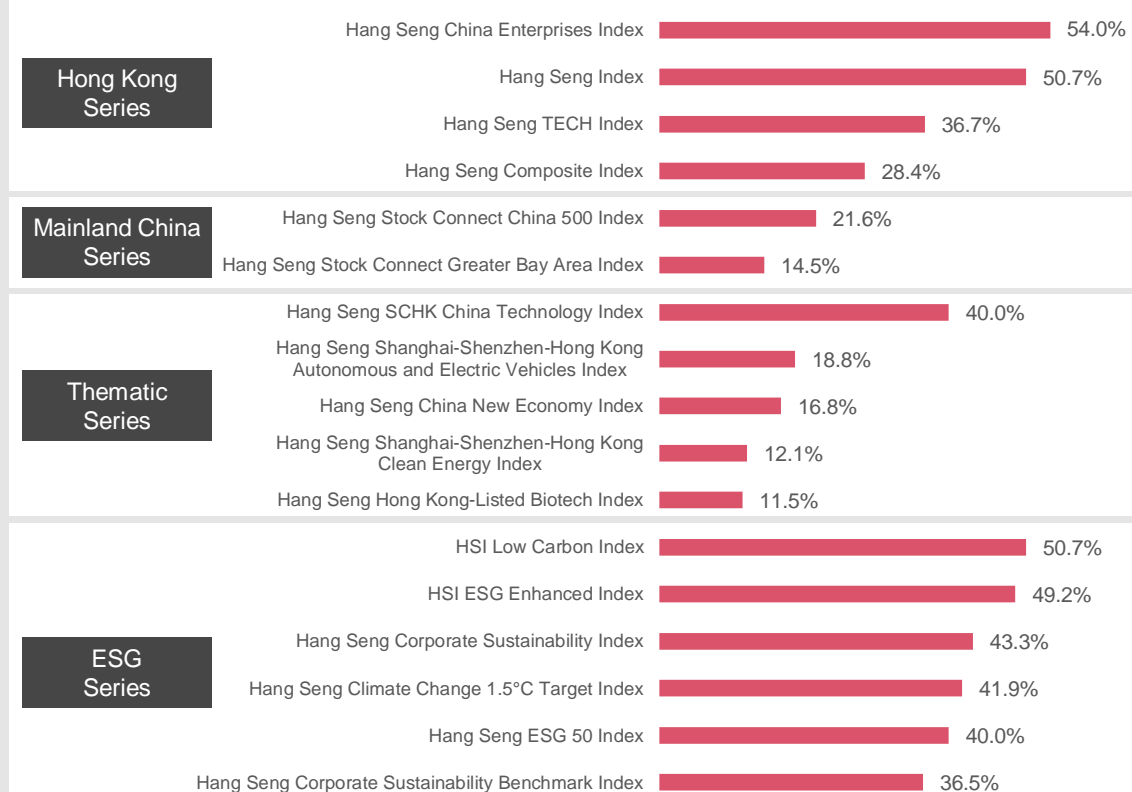
Distribution of market capitalisation (HKD) of the sampled companies



Distribution of time of listing of sampled companies



Proportion of HSI constituent stocks selected for this study







# 2

## Our focus of this year:

- 2.1 Case Study 1: ESG disclosures are getting more mature and advanced
- 2.2 Case Study 2: Thorough assessment and early disclosure are important to address the rising risks come with climate change
- 2.3 Case Study 3: Setting emission reduction targets to achieve dual carbon goals

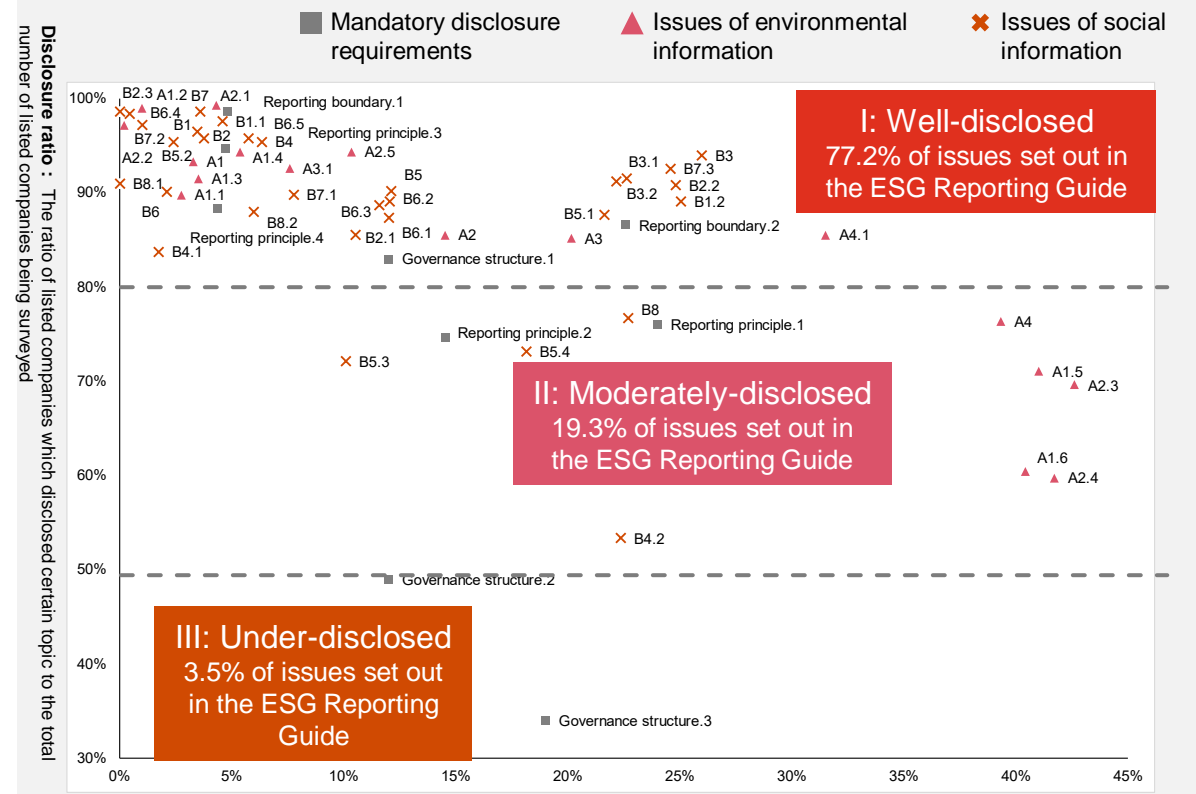


# Case Study 1: ESG disclosures are getting more mature and advanced

After two rounds of compliance enhancement on the ESG Reporting Guide in 2015 and 2019, most of the listed companies have become more mature and advanced in their ESG disclosures. From the research results, 77.2% of the disclosure issues required by the ESG Reporting Guide have reached the Well-disclosed level. These topics have been disclosed by over 80% of sampled listed companies.

Maturity analysis: analysis of the disclosure ratio and year-on-year growth of ESG issues

Type	Features
<p><b>I: Well-disclosed</b> High disclosure ratio (over 80%)</p>	<ul style="list-style-type: none"> <li>Most of these issues are of low difficulty in disclosure, and the disclosure requirements are introduced early, thus, most companies have already met the disclosure requirements</li> <li>In the past year, there was a significant increase in the number of companies that had disclosed some of the social KPIs in this type (e.g., training/occupational safety and health/anti-fraud)</li> </ul>
<p><b>II: Moderately-disclosed</b> Medium disclosure ratio (between 50% and 80%)</p>	<ul style="list-style-type: none"> <li>Most of the issues in this type are in relatively emerging areas (e.g., carbon targets/climate change/ESG management of supply chains), and last year saw a sharp rise in the number of companies disclosing such issues; of these, the number of companies disclosing their carbon emission targets and climate change policies grew by over 35% and the number of companies disclosing their supply chain ESG management went up by 10%-20%</li> </ul>
<p><b>III: Under-disclosed</b> Low disclosure ratio (less than 50%)</p>	<ul style="list-style-type: none"> <li>Although this type shows an impressive growth in the past year, the disclosure ratio on ESG management process and organisational structures was less than 50%, indicating that: there is still room for most companies to make substantial progress in introducing ESG into their corporate governance and daily management</li> </ul>



Year-on-year growth: Year-on-year growth in number of listed companies which disclosed certain topic compared with last year

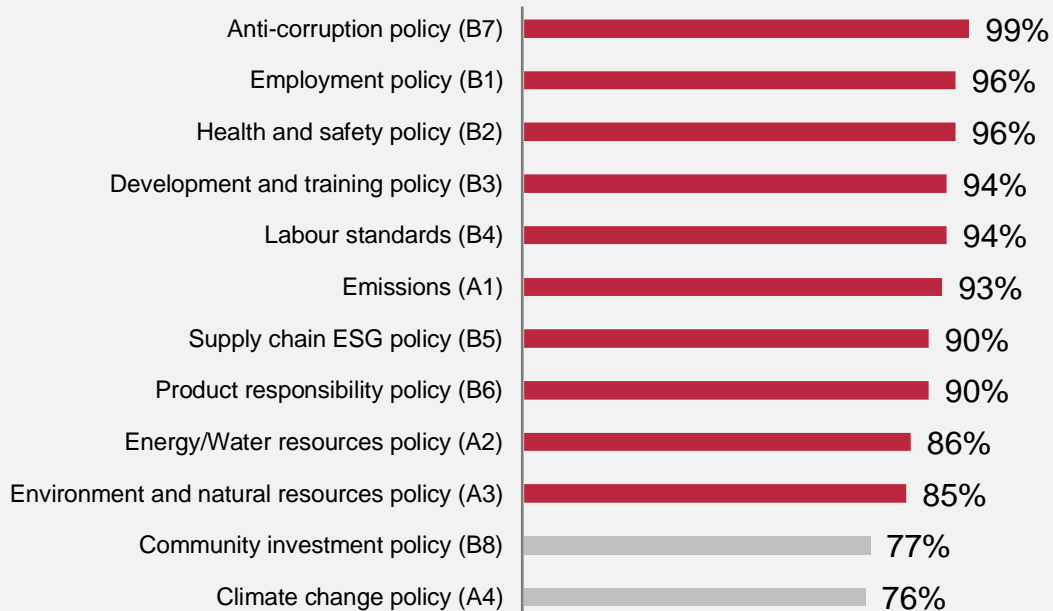
# I: Well-disclosed category

Well-disclosed issues were concentrated around environmental or social issues that have been covered in the process of business operations, such as environmental and natural resource policies, employment policies, supply chain ESG policies, anti-corruption policies and their quantitative indicators, etc.. Going forward, differentiation in this category of topics will be a key success factor for companies to enhance the quality of their ESG reporting.

**Policies:** The policies required by the ESG Reporting Guide, with the exception of climate change and community investment policies, have been disclosed by the vast majority of businesses

**KPI:** The number of companies disclosing performance data on turnover, training, occupational safety and anti-corruption training was up by 20%+ on a yearly basis

Disclosure ratio of ESG policies



KPIs	Disclosure ratio
	2020 → 2021
Employee turnover rate by gender, age group and geographical region (B1.2)	64% → 89%
Lost days due to work injury (B2.2)	66% → 91%
The percentage of employees trained by gender and employee category (e.g. senior management, middle management) (B3.1)	69% → 92%
The average training hours completed per employee by gender and employee category (B3.2)	69% → 91%
Number of suppliers by geographical region (B5.1)	66% → 88%
Description of anti-corruption training provided to directors and staff (B7.3)	68% → 93%



# Examples of ESG disclosure for Hong Kong listed companies

Development and training policy: Example of disclosure of CCB's policies and practices on enhancing employees' knowledge and skills for discharging their duties at work

## China Construction Bank



### ESG awards/ratings

- MSCI ESG Rating: A
- Constituent of FTSE4Good Index Series
- Sina.com.cn: Best Corporate Governance Responsibility Award



### About the company

China Construction Bank Corporation, headquartered in Beijing, is a leading large-scale commercial bank in China. Its predecessor, China Construction Bank, was established in October 1954. It was listed on the HKEX in October 2005.

## B3 Development and Training: Policies on improving employees' knowledge and skills for discharging duties at work

“... CCB kept in mind the mission to “serve the Chinese society, strategies, and employees”. Fully leveraging its organizational advantages and superior resources, it promoted the integration between industry and education, empowered the career growth of employees, and led business development...Serving the Chinese society: Through the “Financial Literacy Promotion” project, CCB Training Center tried to take roots in communities. Closely centered on hot topics and issues of concern to the public, it brought professional knowledge on inclusive finance to farm fields, factories, and classrooms...Serving strategies: Closely focused on the Bank’s development strategies, CCB Training Center was committed to building itself into a platform for learning and exchange, a platform for strategic implementation, a platform for common growth with customers, and a platform for business linkage... Serving employees: CCB formulated policies on improving professional knowledge and skills of staff, built a staff growth regime with its own characteristics, and guided employees to constant learning or lifelong learning...Training capacity building: CCB Training Center strove to incorporate the training philosophy of “professional, shared, technology-enabled, and internationalized school management” into various aspects of work. Cases: Leadership enhancement, The first session of the “Data Analyst” certification training program, “Meet the Future” training program for new employees, Professional and technical post grade exam, Banker Development Program.”

— China Construction Bank Corporation Corporate Social Responsibility Report 2021



Resource: China Construction Bank Corporation Corporate Social Responsibility Report 2021, China Construction Bank Corporation Official Website



# Examples of ESG disclosure for Hong Kong listed companies

Resources contributed to the focus area: The case that Henderson Land contributes to the focus area

## Henderson Land



### ESG awards/ratings

- Hang Seng Corporate Sustainability Index: AA+
- GRESB: Public Disclosure Rating of A and 4-star Rating in 2022
- Hong Kong ESG Reporting Awards 2022 (HERA): Outstanding ESG Improvement Award, Commendation for the Excellence in ESG Governance, Social Positive Impact and GRESB X HERA Excellence for Real Estate



### About the company

With its core business in property development and property investment, Henderson Land is a leading property developer that has an established presence throughout Hong Kong and mainland China. The Group builds award-winning landmarks and developments that enhance people's lifestyles and transform neighbourhoods, while always contributing to a sustainable future, being a Constituent Company of the Hang Seng Corporate Sustainability Index Series. Henderson Land is listed on the Main Board of HKEX.

## B8.2: Resources contributed to the focus area

“Henderson Land continued to work alongside our trusted NGO partners to deliver various community investment programmes. The four priority areas of these programmes remain consistent: poverty relief, environmental stewardship, arts and culture, and youth development. To further monitor our community investment, we have set targets for contributing over 80,000 service hours per year...”

— Henderson Land Sustainability Report 2021

**ENDEAVOUR FOR COMMUNITY**

**Sustainable Community**  
We aim to build sustainable communities and play our part in helping to alleviate the housing supply shortage in Hong Kong. Under the Government's Land Sharing Pilot Scheme, Henderson Land, together with Wheelock Properties Limited, submitted a joint proposal to the Development Bureau during the year, aiming to unlock the development potential of land lots in Lam Tsuen. So far, for comprehensive community development including housing, supporting infrastructure, and community facilities. The project site is expected to supply about 8,500 public housing and starter Homes units and 3,000 private units.

Henderson Land has also continued to revitalize public spaces as our contribution to building sustainable communities. For more details of our urban redevelopment activities, please refer to the "Innovation for Future" section.

Our care for communities extends beyond Hong Kong. During the year, Henderson Land donated RMB 10 million to support disaster relief efforts in response to the 2021 Henan floods. Dr. Lee Ka Kit, Peter, Chairman of the Group, hopes that this donation will support Henan and all those affected by the severe floods. In addition, Dr. Lee's "Peter KK Lee Care for Life Foundation" donated RMB 5 million worth of food and supplies to the province.

**Community Investment**  
Henderson Land continued to work alongside our trusted NGO partners to deliver various community investment programmes. The four priority areas of these programmes remain consistent: poverty relief, environmental stewardship, arts and culture, and youth development. To further monitor our community investment, we have set targets for contributing over 80,000 service hours per year. The Group supported around 100 community programmes during the year and below are highlights of programmes within the four priority areas.

**Poverty Relief**  
**Commission on Poverty's "Future Stars" - Upward Mobility Scholarship Programme**  
Since 2014, we have supported financially disadvantaged students who achieve academic excellence to continue their studies and aspirations through scholarships.  
This year, 190 students were awarded scholarships and, cumulatively, 1,521 "future stars" have benefited from the programme, setting them on the right track to continue excelling in their studies and beyond.

**Poverty Relief**  
**Hong Kong Community Network - Kwai Tsing Ethnic Minority Programme**  
Recognising the importance of fostering a caring and equal society, we have been donating to this programme since 2014 to help ethnic minorities and low-income groups receive effective assistance and support. The programme's diverse features include promoting education and employment and assisting with integration into the community. Cumulatively, more than 800,000 people have received support from this initiative since the Group became its sponsor.

**Visiting Elderly Living Alone in Housing Estates**  
The elderly living alone comprise one of the most vulnerable communities in Hong Kong. To show our love and care, Henderson Land's Chairman, Dr. Lee Ka Kit, Peter, personally visited elderly individuals living alone in Tai Hang Sai Estate in September 2021. During the visit, we got to know more about their living conditions and the challenge of mask shortages due to the pandemic. On that occasion, our volunteers from Hang Yick and Well Born prepared anti-pandemic packs with mask supplies and subsequently distributed the packs to the elderly individuals living in the Estate.

**Home Market - Continuing Our Support for the City's Grassroots Individuals**  
2022 will be the tenth anniversary of Home Market, a non-profit chain store that sells affordable daily necessities and quality food at near wholesale prices to less privileged individuals in our city. Home Market was founded by the Group's Chairman Dr. Lee Ka Kit, Peter, and funded by Lee Shau Kee Foundation. Home Market has grown to 13 branches and the number of members has grown to 276,000.

Resource: Henderson Land Sustainability Report 2021, Henderson Land Official Website



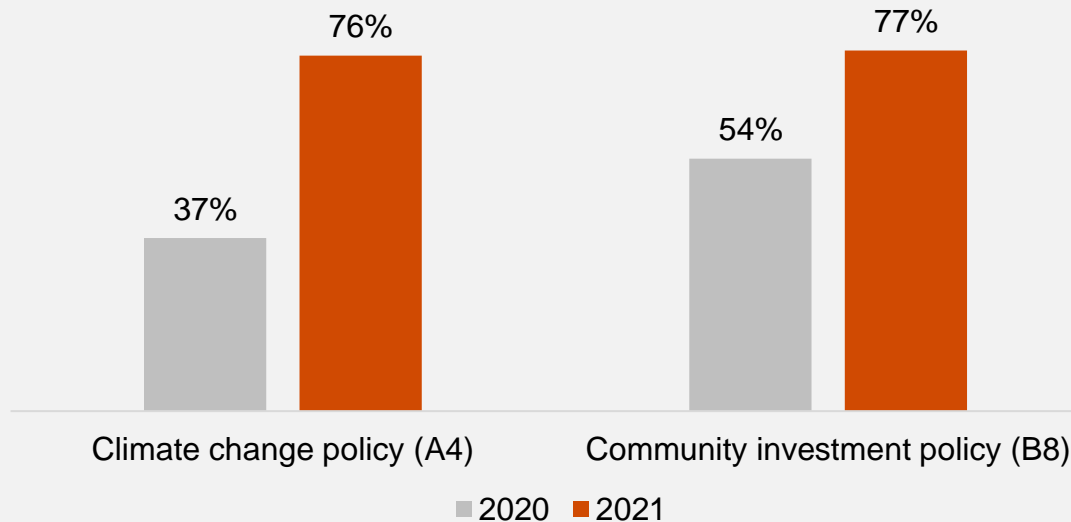
## II: Moderately-disclosed category

Moderately-disclosed issues were concentrated around climate risks, environmental goals, and community investment. Such topics are emerging for some enterprises, so listed companies need a certain amount of time to understand and familiarise themselves with the relevant topics, and then formulate corresponding management policies or objectives. Therefore, the disclosure of such issues is in a state of rapid improvement, indicating that listed companies are actively embracing emerging ESG issues or requirements and striving to improve their own ESG management competencies.

**Policy:** Climate change and community investment policies are growing rapidly, with over 80% of companies expected to incorporate them to the ESG policies by 2022

**KPI:** The number of companies disclosing emissions & energy saving targets has increased significantly, with around 1/3 of companies having set and disclosed quantitative targets

Disclosure ratio of climate change and community investment policies (2020 vs 2021)



KPIs	Level of Disclosure		Quantitative targets
	2020	→ 2021	
Emission (Scope 1, Scope 2) targets (A1.5)	30%	→ 76%	~44%
Waste reduction (hazardous and non-hazardous wastes) targets (A1.6)	20%	→ 61%	~28%
Energy (electricity or other energy sources) use targets (A2.3)	27%	→ 70%	~37%
Water efficiency targets (A2.4)	18%	→ 60%	~32%



# Examples of ESG disclosure for Hong Kong listed companies

Emissions target(s) set: Example of disclosure on Yum China’s description of emissions target(s) set and steps taken to achieve them

## Yum China Holdings, Inc.



### ESG awards/ratings

- MSCI ESG Rating: AA
- S&P Global Ratings: 76/100
- CDP questionnaire on Climate Change: B-



### About the company

Yum China Holdings, Inc. is the largest restaurant company in China with a vision of becoming the world’s most innovative pioneer in restaurant industry. From a single restaurant in 1987, the company operates over 12,000 restaurants in over 1,700 cities and towns spanning every province and autonomous region across mainland China as of the end of June 2022. Yum China is primary listed on the NYSE and secondary listed on the HKEX.

## A1.5: Description of emissions target(s) set and steps taken to achieve them

“ We officially announced the signing and submission of the Business Ambition for 1.5° C Commitment Letter to SBTi on June 8, 2021, demonstrating our commitment to science-based targets to reduce GHG emissions and the ambition to reach net-zero value chain emissions by 2050.”

— Yum China 2021 Sustainability Report



Resource: Yum China 2021 Sustainability Report, Yum China Official Website

# Examples of ESG disclosure for Hong Kong listed companies

Climate change policy: Example of disclosure that Ping An's policies on identification and mitigation of significant climate related issues which have impacted, and those which may impact, the company

## Ping An Insurance (Group) Company of China



### ESG awards/ratings

- Hang Seng Corporate Sustainability Index: A
- The Asset: Insurance Company of the Year, ESG, China
- CDP questionnaire on Climate Change: A-



### About the company

Ping An Insurance (Group) Company of China, Ltd. was established in Shekou, Shenzhen in 1988. The Group was the first insurance company to adopt a shareholding structure in China and is one of the top 3 comprehensive financial conglomerates. The Group are listed on the Main Board of HKEX and the Shanghai Stock Exchange.

A4: Policies on identification and mitigation of significant climate related issues which have impacted, and those which may impact, the issuer

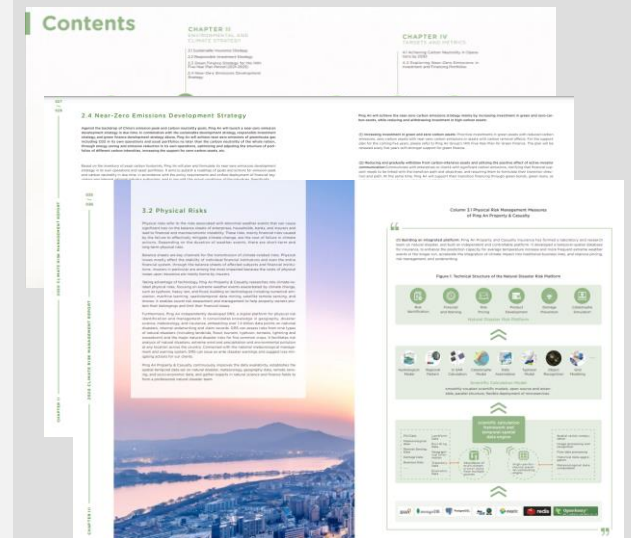
“ ... The Report is prepared in accordance with the recommended framework of TCFD and discloses information in four areas, namely governance, strategies, risk management, and metrics and targets...  
Governance: Ping An attaches great importance to climate-related opportunities and risk. It has also built up a comprehensive governance mechanism to manage climate-related affairs, on the levels of the board of directors, committees, subsidiaries and functional Units, with explicit goals and responsibilities.

Strategy: Develop and facilitate the implementation of Sustainable Insurance Strategy, Responsible Investment Strategy, Green Finance Strategy for the 14th Five-Year Plan and Near-Zero Emissions Development Strategy

Risk Management: integrating climate-related risks into the Group's risk management system and conducting scenario analyses

Metrics and targets: Achieving carbon neutrality in operations by 2030, and exploring Near-Zero Emissions on Portfolios...”

— Ping An Insurance 2020 Climate Risk Management Report



Resource: Ping An Insurance 2020 Climate Risk Management Report, Ping An Insurance 2021 Sustainability Report, Ping An Insurance Official Website



# III: Under-disclosed category

Under-disclosed issues were concentrated around the disclosure of details of the Board's oversight of ESG issues, including ESG management approach and strategy, how the board reviews the progress made against ESG goals and targets, etc. Such topics are among the new mandatory requirements in the 2019 update of the ESG Reporting Guide. Increasing numbers of companies are improving the transparency and granularity of the information disclosed.

Classification	Requirements	Disclosure maturity
Governance structure.1	A disclosure of the board's oversight of ESG issues;	I: Well-disclosed
Governance structure.2	The Board's ESG management approach and strategy, including the processes used to evaluate, prioritise and manage material ESG related issues (including risks to the issuer's businesses);	III: Under-disclosed
Governance structure.3	How the Board reviews progress made against ESG related goals and targets, with an explanation of how they relate to the issuer's businesses.	III: Under-disclosed
Reporting principle.1	A description or an explanation of the application of the reporting principles in preparation of ESG reports (materiality, quantitative, consistency)	II: Moderately-disclosed
Reporting principle.2	The process to identify and the criteria for the selection of material ESG factors	II: Moderately-disclosed
Reporting principle.3	A description of significant stakeholders identified and the process of the issuer's stakeholder engagement	I: Well-disclosed
Reporting principle.4	The results of the issuer's stakeholder engagement	I: Well-disclosed
Reporting boundary.1	A narrative explaining the reporting boundaries of the ESG report	I: Well-disclosed
Reporting boundary.2	Description of the process used to identify which entities or businesses are included in the report	I: Well-disclosed

## Climate change disclosures will require the board to get deeply involved in ESG

The TCFD\* framework is recommended by HKEX and global capital market regulators for corporate climate change disclosure; it provides clear requirements and implementation recommendations for companies to make climate change disclosures, including:

- Functions of the board and management
- Company's businesses and climate change impacts
- Risk management of climate change
- Performance management of emission targets and indicators such as carbon emission

\*TCFD: Task Force on Climate-Related Financial Disclosures

# Examples of ESG disclosure for Hong Kong listed companies

Governance Structure: Example of ESG disclosure that the board of CLP Holdings regarding ESG management approach and strategy

## CLP Holdings



### ESG awards/ratings

- Hang Seng Corporate Sustainability Index: AA+ (2022-2023)
- IR Magazine Awards – Greater China 2021: Best ESG Materiality Reporting (Large Cap)
- HKICPA Best Corporate Governance and ESG Awards 2021: Platinum Award in the Most Sustainable Companies/ Organizations Awards - Hang Seng Index category



### About the company

CLP is one of the largest investor-owned power businesses in Asia-Pacific with investments in Hong Kong, Mainland China, Australia, India, Southeast Asia and Taiwan. The company is building a Utility of the Future to meet the evolving energy needs of our customers. CLP Holdings is listed on the Main Board of HKEX.

Mandatory Disclosure Requirements (Governance Structure): the Board's ESG management approach and strategy, including the process used to evaluate, prioritise and manage material ESG-related issues (including risks to the issuer's businesses)

“ The Members of the Sustainability Committee are appointed by CLP Holdings' Board of Directors to oversee CLP's sustainability issues... Meetings and Attendance: The Committee meets as frequently as required and the Committee met five times during the reported period... Highlights of the Committee's Work: A key focus of the Committee's work during the Period was overseeing the work on climate change and its impact on the Group's strategy... Summary of Work Done: In addition to the Highlights of the Committee's Work for the Period, the table below explains the work carried out by the Committee and how it discharged its responsibilities for the Period... ”

— CLP Holdings 2021 Annual Report

Members	
The Members of the Sustainability Committee are appointed by CLP Holdings' Board of Directors to oversee	
Meetings and Attendance	
The Committee meets as frequently as required and the Committee met five times during the reported period (full year 2021 and for 2022 up to the date of this Report) (the Period)	
Highlights of the Committee's Work	
Summary of Work Done	
In addition to the Highlights of the Committee's Work for the Period, the table below explains the work carried out by the Committee and how it discharged its responsibilities for the Period.	
Areas of Focus	
Climate Change-related Matters	
Climate Vision 2050 targets update	The Committee examined the proposed Climate Vision 2050 targets update against the science-based benchmarks. There were in-depth discussions on how CLP could accelerate the closure or exit of coal from the generation fleet and the financial impact from the revised targets. The Committee also considered the various scenarios put forward by management to achieve the net-zero target for 2050.  The Committee reviewed the draft Climate Vision 2050. The Committee paid particular attention to the proposed strengthened targets and these included the net-zero greenhouse gas emissions by 2050, interim science-based targets for 2030 to limit global warming to well below 2°C above pre-industrial levels, accelerate phase-out of CLP's coal-based assets by 2040, and CLP's commitment to strengthen the targets at least every five years in recognition of the objective to further raise CLP's ambition in line with the 1.5°C pathway.  Following the publication of CLP's Climate Vision 2050, the Committee considered the feedback from CLP key stakeholders on the publication and the new targets.
Climate change-related developments and risks	The Committee considered the climate change policy landscape at the international level and in the CLP markets.  In addition to the briefing from an international climate change expert, the Committee received a briefing from management on Hong Kong's Climate Action Plan 2050. This covered a range of initiatives for Hong Kong including the Climate Action Plan Targets, energy efficiency and green buildings, Feed-in Tariff scheme, waste management and electric vehicles development.
TCFD	The Committee considered the update on climate-related disclosures and progress on climate change scenario analysis including the development of a methodology of climate-related financial impacts. The Committee acknowledged that the next stage of CLP's disclosures would be to further test the climate scenario analysis and to analyse the financial impacts of transition risk and opportunities along with the physical risks and opportunities, with reference to the guidelines on climate scenarios to be developed by World Business Council for Sustainable Development.  The Committee gave its support to the Company's publication of a separate Climate-related Disclosure Report for 2021, which follows the TCFD recommendations and the International Sustainability Standards Board's Climate-related Disclosures Prototype.
Other Sustainability Matters - risks, opportunities and emerging issues	
Update on sustainability in procurement	The Committee perused the Procurement & Supply Chain Management (PSCM) Sustainability Plan proposed by management. This plan focused on the three core pillars of strengthening the PSCM sustainability, enhancing the supply chain risk management framework, managing physical climate risk along the supply chain and addressing human rights associated with the supply chain. The Committee considered a number of key issues including audit rights over suppliers and sustainability requirements on the Group's supply chain.

Source: CLP Holdings 2021 Annual Report, CLP Group Website



# Examples of ESG disclosure for Hong Kong listed companies

Governance Structure: Example of ESG disclosure that the board of Master Kong reviews progress made against ESG-related goals and targets

## Tingyi (Cayman Islands) Holding Corp.



### ESG awards/ratings

- 2021 Hong Kong Corporate Governance & ESG Excellence Awards
- Best Practice for Achieving SDGs 2021 Certificate (UNGC)
- The Award for Best Society (S) Case for sustainable development project of PET



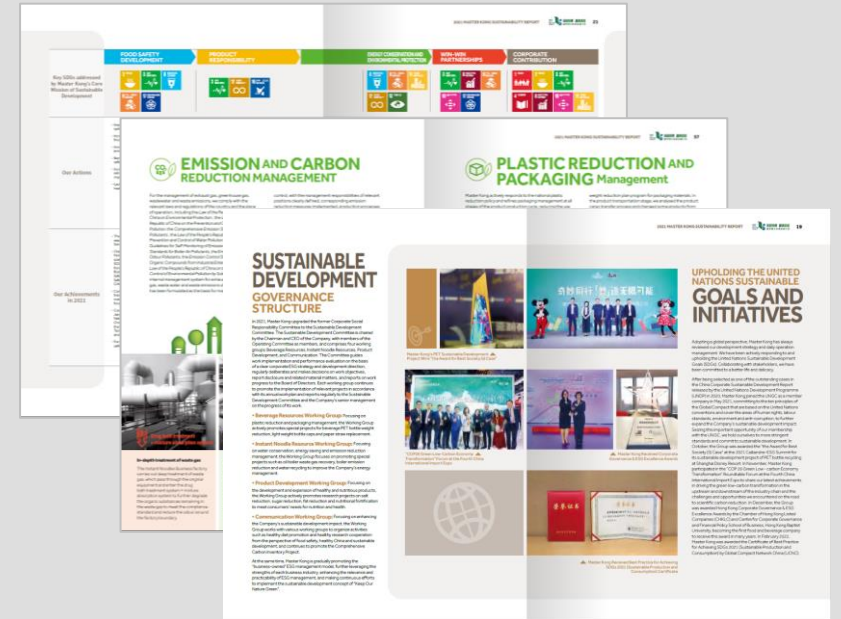
### About the company

Tingyi (Cayman Islands) Holding Corp. specialise in the production and distribution of instant noodles and beverages in the People's Republic of China ("PRC"). After years of hard work and accumulation, "Master Kong" has become one of the best-known brands among consumers in the PRC. It was listed on the Main Board of the Stock Exchange of Hong Kong in February 1996.

Mandatory Disclosure Requirements (Governance Structure): how the Board reviews progress made against ESG-related goals and targets with an explanation of how they relate to the issuer's businesses

“ ..The Sustainable Development Committee is chaired by the Chairman and CEO of the Company.. The Committee guides work implementation and performance evaluation on the basis of a clear corporate ESG strategy and development direction, regularly deliberates and makes decisions on work objectives, report disclosure and related material matters, and reports on work progress to the Board of Directors. Each working group continues to promote the implementation of relevant projects in accordance with its annual work plan and reports regularly to the Sustainable Development Committee and the Company's senior management on the progress of its work...”

— Master Kong 2021 Sustainability Report



Source: Master Kong 2021 Sustainability Report, Master Kong Website

# Case Study 2: Thorough assessment and early disclosure are important to address the rising risks come with climate change

In recent years, extreme weather events such as forest fires, heat waves, droughts, heavy rainfall and flooding have occurred frequently across the globe, with serious implications for life and assets, property management, biodiversity and social activities, as well as posing significant risks to the stability of the global financial system.

In response, the Financial Stability Board (FSB) established the Task Force on Climate-related Financial Disclosures (TCFD), which issued the Recommendations of the Task Force on Climate-related Financial Disclosures in June 2017, proposing 11 financial disclosure recommendations on 4 core elements to provide a systematic disclosure framework for companies to assess and disclose the financial impact of climate risks. In December 2021, HKEX also issued the Guidance on Climate Disclosures based on the TCFD Framework.



## Governance

The organisation's governance around climate-related risks and opportunities

## Strategy

The actual and potential impacts of climate-related risks and opportunities on the organisation's businesses, strategy, and financial planning

## Risk Management

The processes used by the organisation to identify, assess, and manage climate-related risks

## Metrics and Targets

The metrics and targets used to assess and manage relevant climate-related risks and opportunities



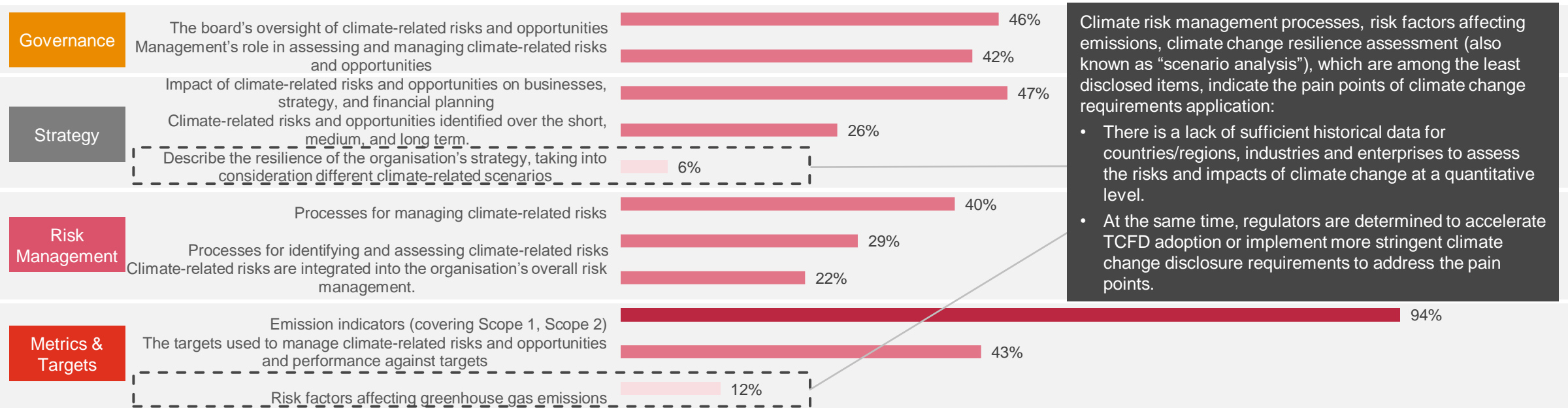
# Current status of climate risks disclosure

In this study, PwC conducted a survey on climate information disclosure in ESG reports of listed companies based on the TCFD framework.

**The results show that the majority of sampled companies have responded proactively to the TCFD framework or some of its recommendations, with 37% of sampled companies declaring their use of the TCFD framework in their ESG reports. For specific recommendations:**

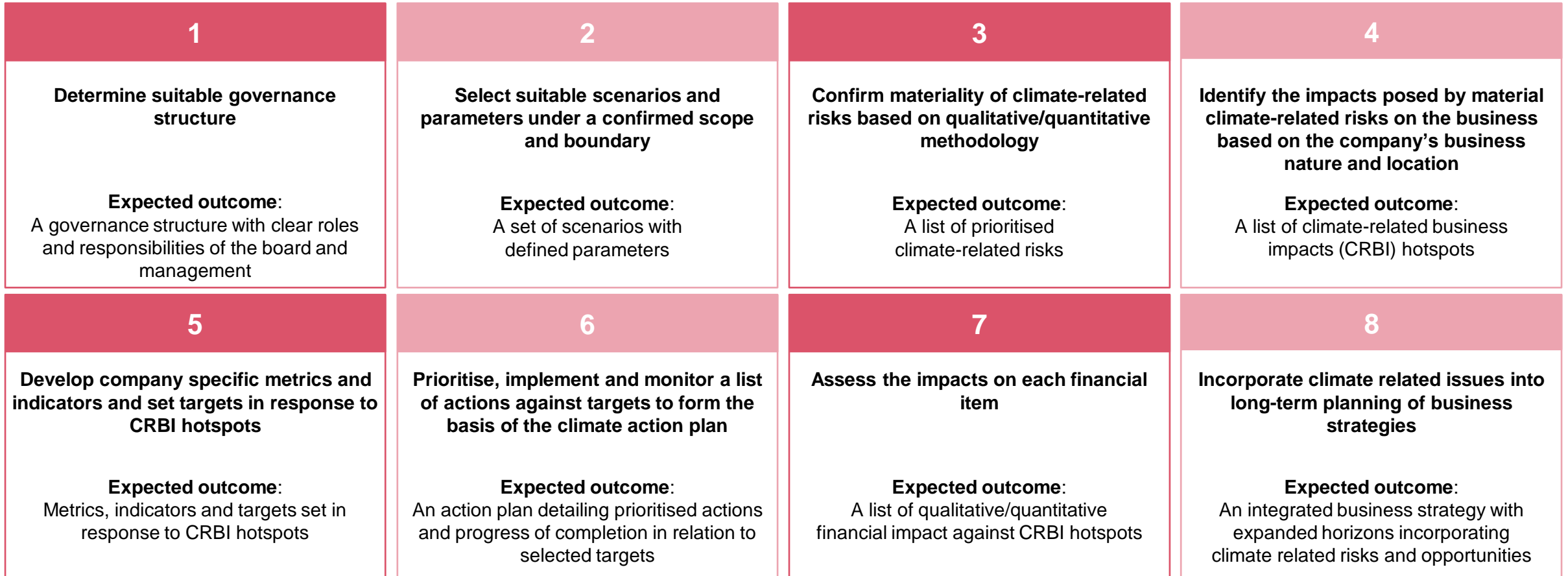
- The TCFD requirements for emission targets and goals overlap with the ESG Reporting Guide, resulting in a 94% disclosure by sampled companies
- The remaining topics, such as board oversight of climate related issues, climate scenario analysis, climate risk factors, short-, medium- and long-term strategies, are disclosed by sampled companies to varying degrees

For the individual financial disclosure recommendations under the TCFD framework, the disclosure ratio on each recommendations may differ across sampled companies



# TCFD work process

Climate related disclosures aligned with the TCFD recommendations will be mandatory no later than 2025. To promote listed companies' compliance with TCFD, the implementation journey has been broken down into 8 steps in the HKEX Guidance on Climate Disclosures, providing guidance to listed companies. Companies should note that this is an iterative process with each step providing a feedback loop to the others. The precise order in which these steps are taken will differ by industry and company.



Source: HKEX Guidance on Climate Disclosures



# Case Study 3: Setting emission reduction targets to achieve dual carbon goals

In September 2020, the Chinese government solemnly announced the dual carbon goals of "striving to peak CO<sub>2</sub> emissions by 2030 and achieving carbon neutrality by 2060". In December 2019, HKEX introduced the requirement of setting "emission targets" in the updated ESG Reporting Guide, and in December 2021, HKEX issued the "Practical Net-Zero Guide for Business" to guide companies to follow the necessary steps to develop a suitable net zero emission pathway. In order to understand the current status of setting GHG emission reduction targets for companies listed on HKEX, PwC also conducted a special survey on the carbon reduction targets disclosed by companies in their ESG reports.



# Emission reduction target setting

Based on the study results, Among all sampled companies, 44% of companies have set up quantitative emission reduction targets, the proportion of setting up carbon neutral or net zero emissions is 5.7%, and the proportion associated with the 1.5 degree target for the Paris Agreement is 3.2%. In order to effectively respond to the globally required disclosure of climate change, we recommend that companies conduct systematic carbon accounting of Scope 1, 2 and 3 GHG emissions and set scientific carbon reduction targets.

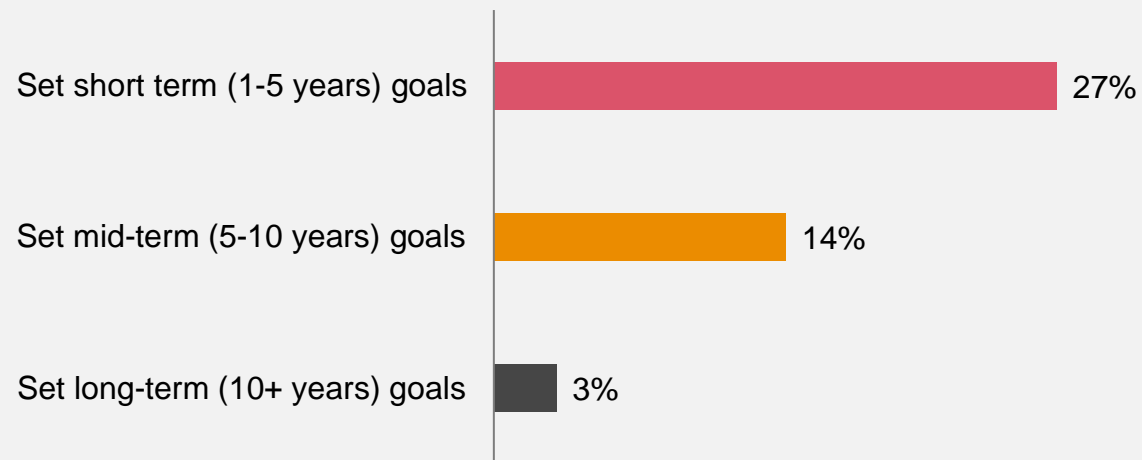
## Most companies set emission reduction targets of 1-5 years in length, considering

- Meeting compliance requirements: new ESG Reporting Guide requires the disclosure of emission targets
- Matching overall strategy: aligning the time horizon of ESG targets with corporate strategic goals

## 8.9% of corporate emission reduction targets are in line with the Paris Agreement or China's "carbon peaking and carbon neutrality" goals

- Relatively ambiguous long-term emission reduction targets will be replaced by a standardised system of emission reduction targets

Distribution of the companies' emission reduction targets time span



Disclosure ratio of targets including "carbon neutrality/net zero" or "temperature rise control"

Targets	Disclosure ratio
Carbon neutrality/Net zero	5.7%
Temperature rise of less than 1.5° C or 2° C	3.2%
<b>Total</b>	<b>8.9%</b>



# Science-Based Target Initiative (SBTi)

SBTi is currently the most used carbon target initiative, providing an international endorsement for companies' carbon emissions targets.

## Goals of SBTi

- SBTi, which stands for Science-Based Target Initiative, also known as “科学碳目标” in Chinese, provides a scientific approach for commercial companies to set greenhouse gas emission reduction targets that can be used to ensure a net-zero future as required by international conventions such as the Paris Agreement

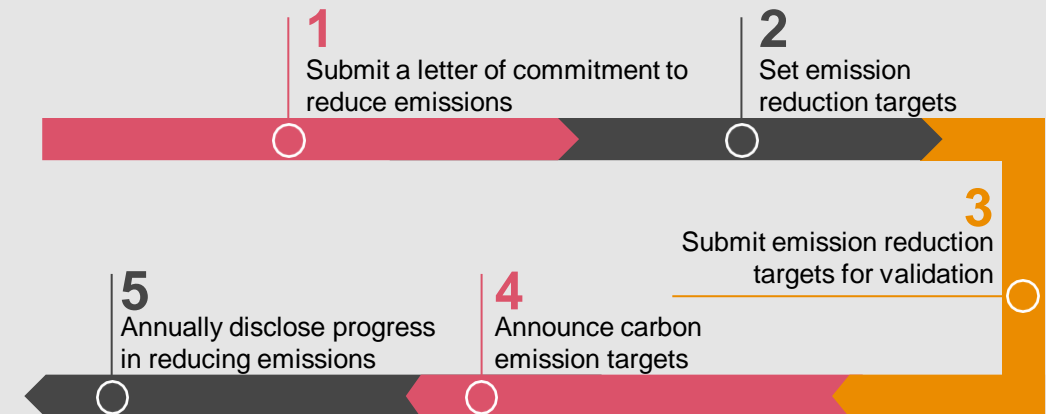


## An introduction to SBTi

- The greenhouse gas reduction targets set by the company will be considered scientific if the targets are in line with the global temperature rise targets required by the Paris Agreement (significantly less than 2° C, or no more than 1.5° C, compared to that of the pre-industrial era)



## How to set a target under SBTi



### Company participation in SBTi (Global)

3,865

companies participated in SBTi, of which:

1,834

companies have set scientific goals

1,423

companies committed to net-zero emissions

### Company participation in SBTi (China)

223

companies have set scientific goals

81

companies committed to net-zero emissions

Detailed description of SBTi: <https://sciencebasedtargets.org/what-is-a-science-based-target/> (From the official website of SBTi), as of October 2022



# 3

## Details of the study

- 3.1 Overview
- 3.2 Mandatory disclosure requirements
- 3.3 Management and disclosure of environmental information
- 3.4 Management and disclosure of social information

# Overview: Format for disclosure

With the increased understanding of and importance attached to ESG information disclosure among Hong Kong listed companies, companies should prepare stand-alone reports according to the materiality of the issues, disclose ESG data and related information flexibly, and enhance the contents and diversity of ESG report content based on their own circumstances.

## Data analysis and interpretation

According to the study conducted in 2021:

- **72%** of the samples disclosed stand-alone ESG reports;
- **93%** of the reports were over 20 pages, of which **52%** were over 60 pages, **21%** were between 41 pages and 60 pages, **27%** were between 21 pages and 40 pages;
- **71%** prepared reports by materiality of the ESG issues

## Industry disclosure

For the 3 disclosure form-related indicators,

- Top 3 industries with the highest level of disclosure \* :



utilities

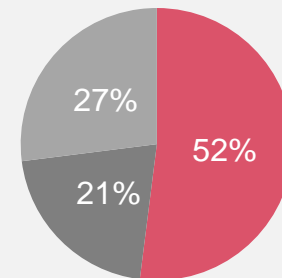


energy



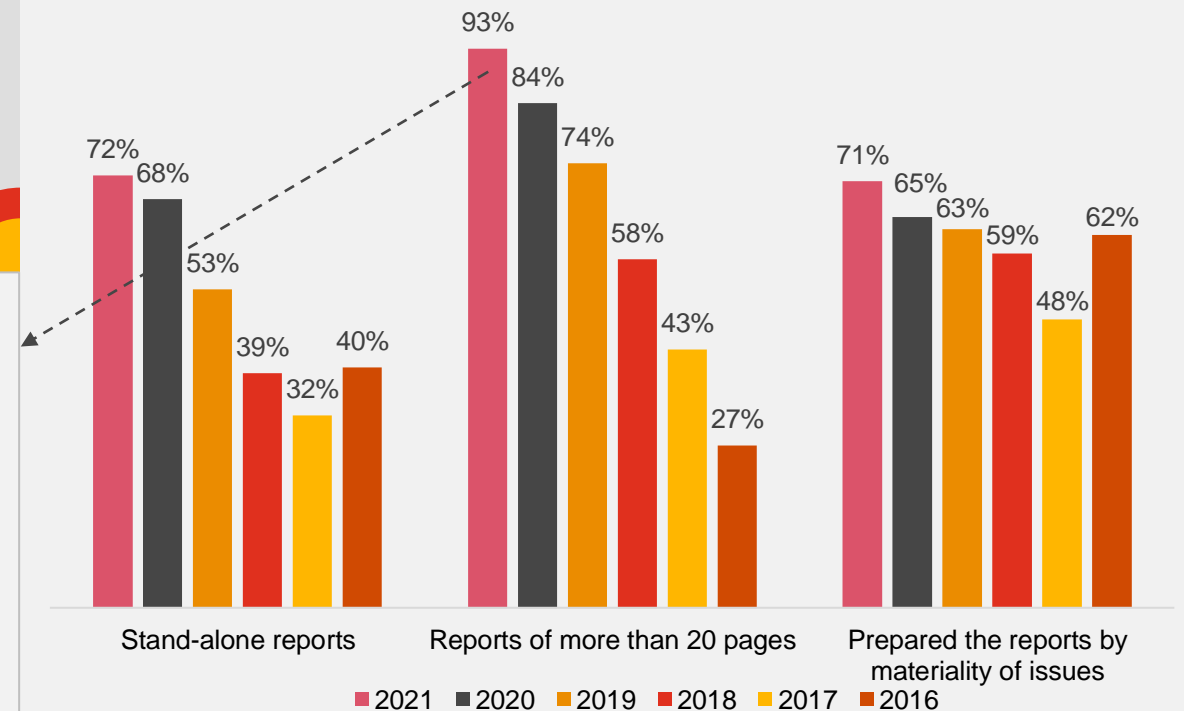
basic materials

Analysis on reports consist of over 20 pages



■ 61 pages and above ■ 41 - 60 pages ■ 21 - 40 pages

## Report disclosure formats



\*Level of disclosure= number of companies disclosing a particular ESG indicator in certain industry / total number of companies in the research sample in the same industry



# Overview: Reporting standards

Hong Kong listed companies tend to have more diversified choices of reporting standards. Companies shall refer to other relevant reporting standards when preparing ESG reports according to the characteristics of their business, industry features and local requirements to meet the demands of different stakeholders on corporate non-financial information.

## Data analysis and interpretation

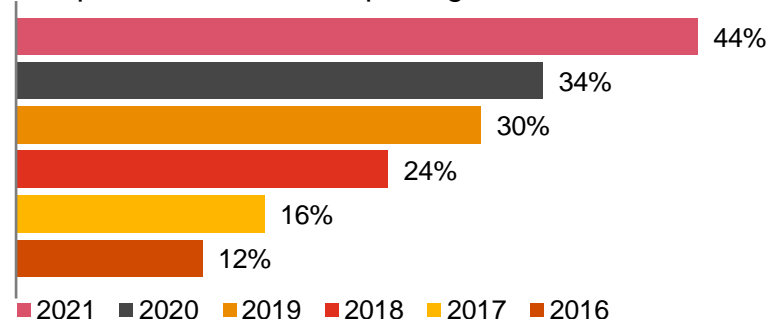
The proportion of Hong Kong listed companies following reporting standards in addition to the ESG Reporting Guide has been increasing over the years. **44%** of the 2021 ESG reports sampled referred to other reporting standards, among which

- The adoption rate of the Global Reporting Initiative (“GRI”) standards reached **86%**. **37%** declared use of TCFD framework, and **32%** adopted guidelines disclosed by the Shanghai Stock Exchange (the “SSE”). Among the reporting standards with the highest adoption rate, 4 are China’s ESG standards
- The selection of reporting standards by Hong Kong listed companies shows certain industry characteristics, which is in line with the current trend of China to establish and improve ESG disclosure standards with industry characteristics
- More companies stated that they have used the methodologies of ESG rating agencies such as MSCI

### 44% of sampled companies referred to other reporting standards, among which\*

GRI Standards	86%
TCFD Framework	37%
SSE guidelines	32%
Chinese Corporate Social Responsibility Report Preparation Guide (CASS-CSR4.0)	15%
SASB Standards	15%
Guidance on Social Responsibility (GB/T 36000-2015)	10%
ISO 26000:2010 - Guidance on Social Responsibility	7%
Guidelines of Shenzhen Stock Exchange for the Regulated Operation of Listed Companies by Shenzhen Stock Exchange (SZSE)	3%
MSCI and DJSI rating standards	3%

## Adoption rate of other reporting standards



Industry	Industry specific guidelines	Released by
Energy	Sustainability Reporting Guidance for the Oil and Gas Industry	International Petroleum Industry Environmental Conservation Association (IPIECA)
Utilities	Guidelines for Central Enterprises to Fulfil Social Responsibilities	State-owned Assets Supervision and Administration Commission of the State Council
Financial Services	Guidelines on Corporate Social Responsibility of Chinese Banking and Financial Institutions Opinions on Strengthening the Social Responsibility of Banking Financial Institutions and Guiding Opinions on the Insurance Sector's Implementation of Social Responsibility	China Banking Association China Banking and Insurance Regulatory Commission
Properties and Construction	Guidelines on Social Responsibility of Real Estate Enterprises in Guangdong Province	Guangdong Real Estate Association
Information Technology	The Electronic Industry Citizenship Coalition (EICC) Code of Conduct	Electronic Industry Citizenship Coalition
Industries	Guidelines on the Social Responsibility for Industries of China 2.0 (GSRI-CHINA 2.0)	China Federation of Industrial Economics
Consumer Discretionary	Guidelines on the Corporate Social Responsibility Management for China Stores & E-Commerce Platforms	China Chain Store & Franchise Association

\*\*The sampled listed companies refer to several standards, therefore the adoption rate aggregates to over 100%

# Overview: Organisation structure

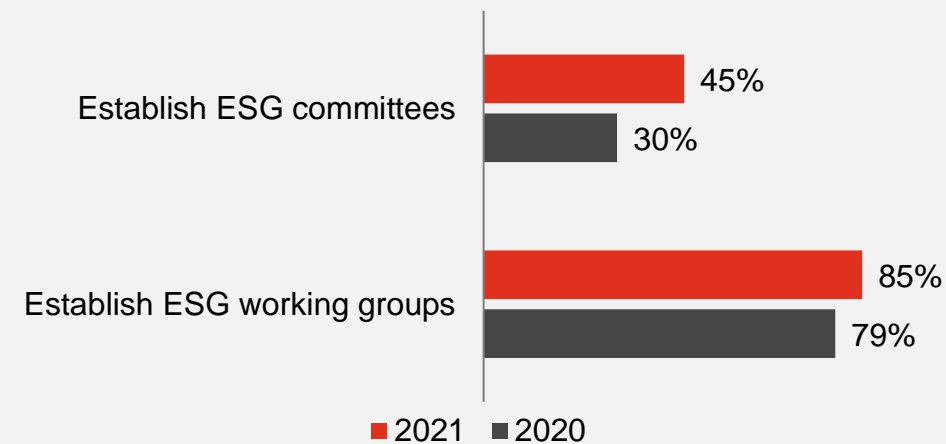
Listed companies should set up ESG committees and ESG working groups with relevant experience according to their ESG risks to assist the board in providing strategic direction on material ESG issues, guiding the implementation and development of the ESG policies and implementing the board's oversight of ESG efforts.

## Data analysis and interpretation

According to the study conducted in 2021,

- **45%** of the samples have established ESG committees
- **85%** have established ESG working groups

## Organisation structure



The board of directors of a listed company can establish an ESG governance structure suitable to its own business. The typical ESG governance structure is as follows:



Source: Making Inroads into Good Corporate Governance and ESG Management

# Overview: Report assurance

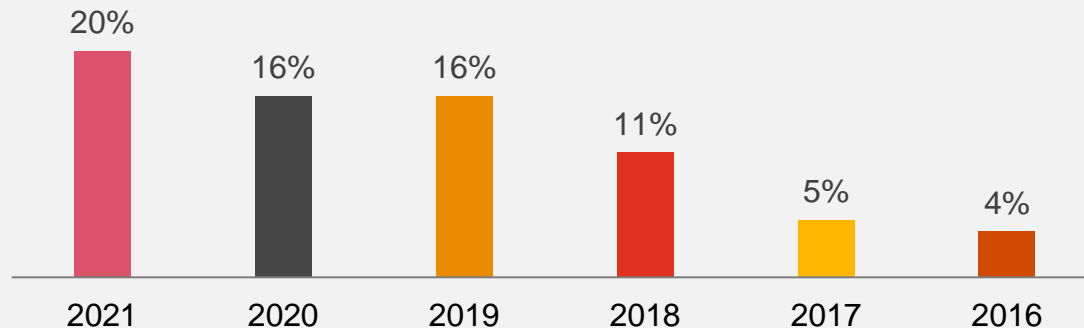
The current regulatory requirements for ESG disclosure by listed companies tend to be stricter. In order to cope with the regulatory pressure, Hong Kong listed companies should continuously improve the quality of their ESG data and information, clarify the statistical methods and scope of disclosure for each indicator, and ensure the integrity and accuracy of ESG information. In addition, based on the ratings requirements of mainstream institutions such as MSCI, S&P and CDP, listed companies should consider seeking independent third party assurance on ESG KPIs to enhance the credibility of the ESG information and data and effectively improve listed companies' ESG ratings.

## Data analysis and interpretation

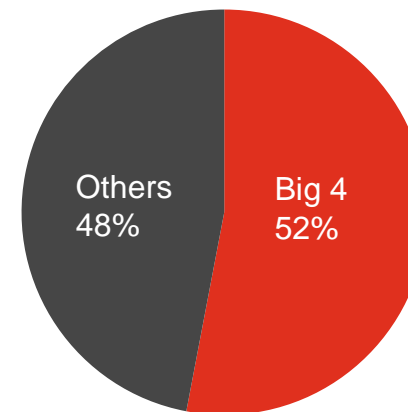
According to the study conducted in 2021, **20%** of the sample reports were assured by third party organisations, with the top five industries being conglomerates, telecommunications, financial services, energy, utilities,

- Among assured reports in 2021, **57%** of sampled reports selected the KPIs in the reports as the scope of assurance, while others chose the entire report.
- **52%** of the assured reports chose the Big 4 accounting firms, PwC, Deloitte, KPMG and EY, as assurance institutions

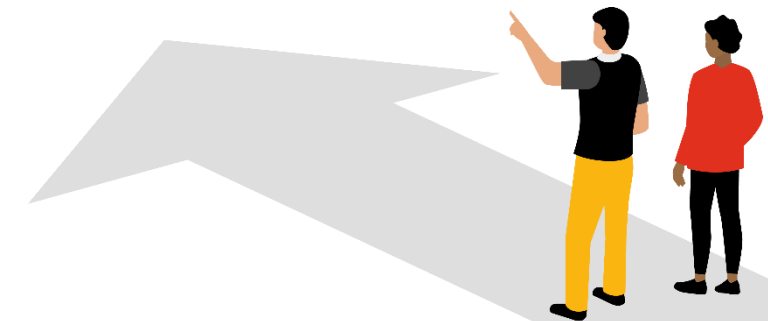
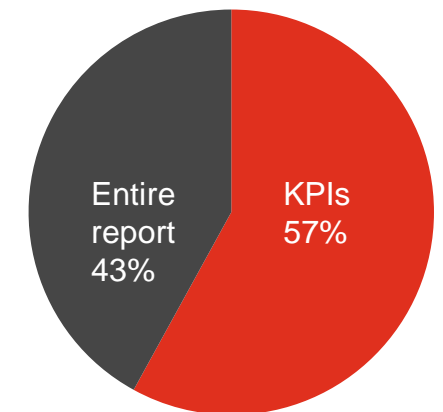
Proportion of reports assured



Assurance institutions



Scope of assurance





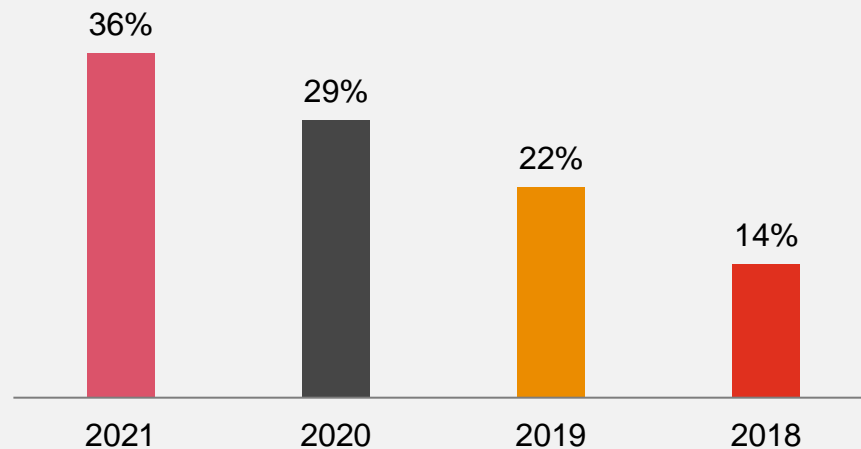
# Overview: Response to UN SDGs

## Data analysis and interpretation

More and more ESG reports have referred to UN SDGs over the past years. According to the study conducted in 2021,

- **36%** of listed companies have responded to SDGs in their ESG reports, among which around **39%** have identified key SDGs and have set their targets and KPIs.

## Proportion of ESG reports responding to UN SDGs

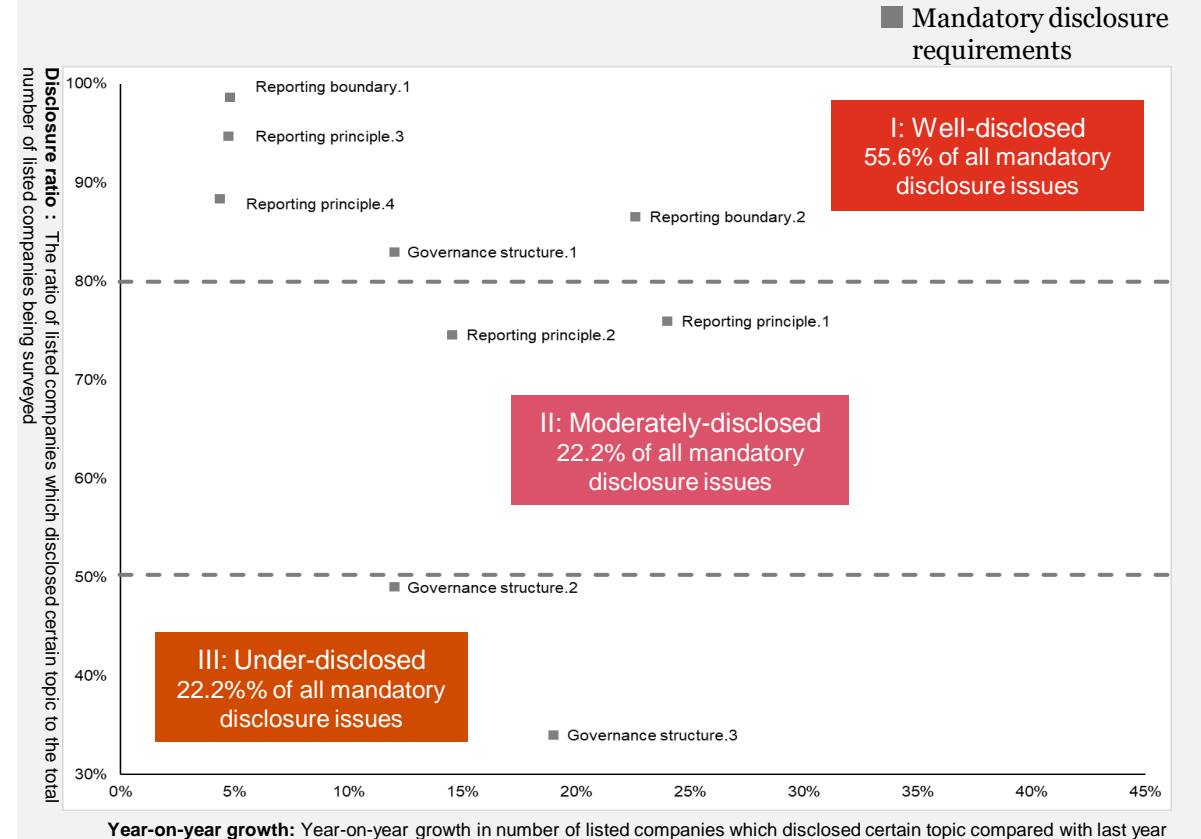


Source: The United Nations

An increasing number of Hong Kong listed companies are responding to the 17 UN SDGs in their ESG reports and setting relevant targets and KPIs. Integrating UN SDGs with the company's actual ESG practice will help listed companies set ESG strategies and objectives, report ESG activities, thus forming an effective ESG work system.

# Mandatory disclosure requirements

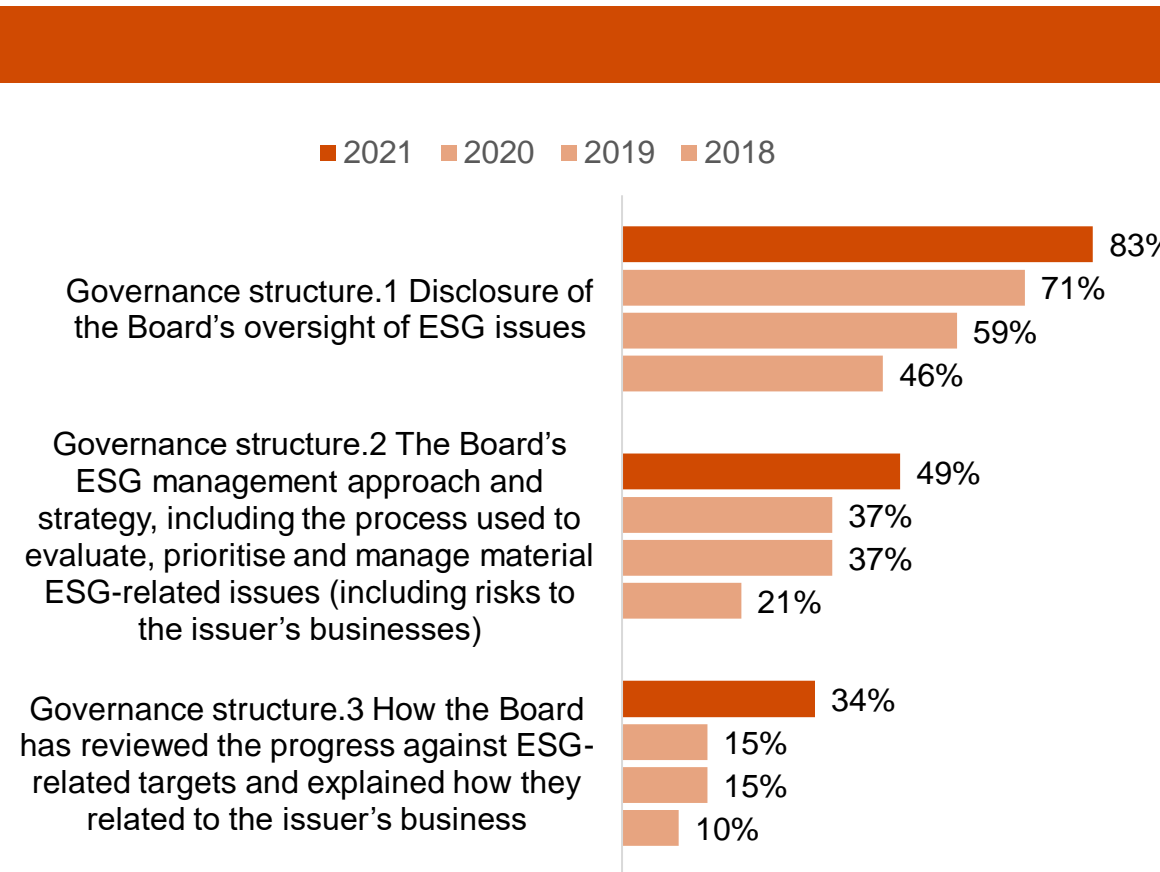
No.	Content
Governance structure.1	A disclosure of the board’s oversight of ESG issues;
Governance structure.2	The board’s ESG management approach and strategy, including the processes used to evaluate, prioritise and manage material ESG related issues (including risks to the issuer’s businesses);
Governance structure.3	How the board reviews progress made against ESG related goals and targets, with an explanation of how they relate to the issuer’s businesses.
Reporting principle.1	A description or an explanation of the application of the reporting principles in preparation of ESG reports (materiality, quantitative, consistency)
Reporting principle.2	The process to identify and the criteria for the selection of material ESG factors
Reporting principle.3	A description of significant stakeholders identified and the process of the issuer’s stakeholder engagement
Reporting principle.4	The results of the issuer’s stakeholder engagement
Reporting boundary.1	A narrative explaining the reporting boundaries of the ESG report
Reporting boundary.2	Description of the process used to identify which entities or businesses are included in the report



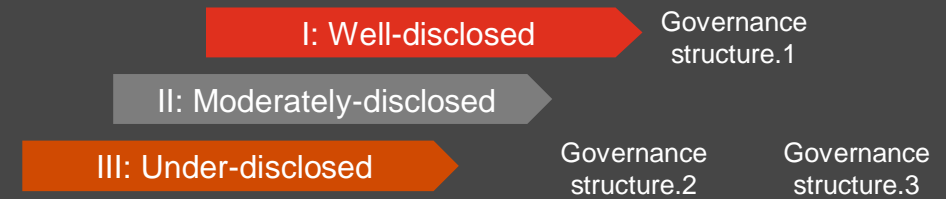


# Mandatory disclosure requirements: Governance structure

The board of a listed company has overall responsibility for the company's ESG management, strategy and reporting. The board, based on its own business and industry characteristics, needs to identify significant ESG-related matters, develop an ESG strategy that is conducive to the company's long-term development, set ESG management targets with guiding significance, supervise the implementation of various ESG policies, and regularly review the progress towards the targets.



## Classification of this issue in the maturity model



## Data analysis and interpretation

There is still room for improvement in the disclosure of indicators related to governance structure. According to the study data in 2021,

- **83%** of the sampled companies have disclosed the board's oversight of ESG matters
- **49%** of the sampled companies have disclosed the board's ESG management approach and strategy
- **34%** of the sampled companies have disclosed the board's concern about ESG-related targets

## Industry disclosure

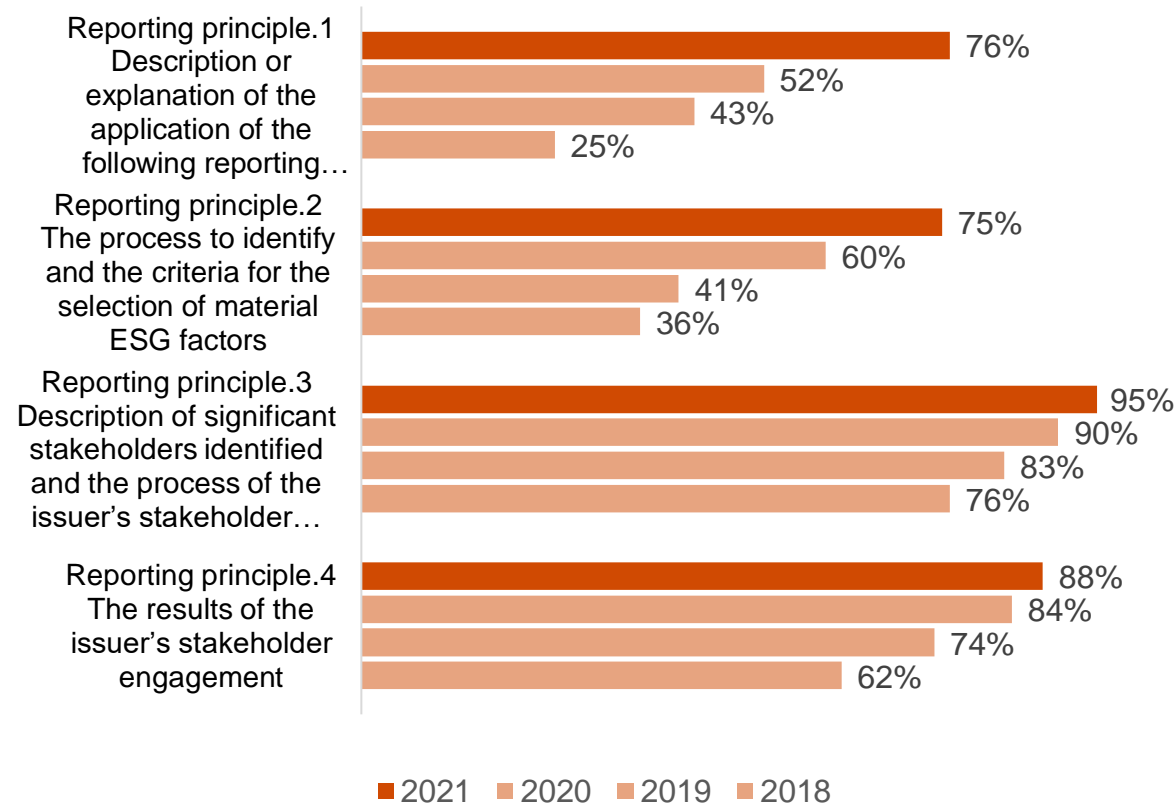
As for the 3 governance structure related indicators,

- Top 3 industries with the highest level of disclosure:

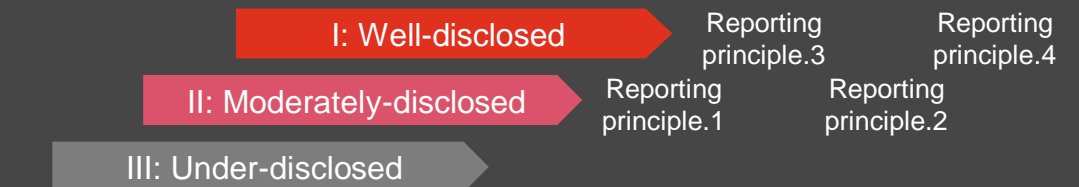


# Mandatory disclosure requirements: Reporting principles

Listed companies should always follow the principles of "materiality", "quantitative" and "consistency" in conducting ESG management and preparing ESG reports. The board of listed companies should communicate with stakeholders regularly and conduct materiality assessment to identify "material" issues, so as to enable targeted ESG management and information disclosure. In the daily ESG information collection and management, listed companies should also follow the "quantitative" principle to make accurate statistics and records of ESG data, and comply with the "consistency" principle to keep data consistent and comparable.



## Classification of this issue in the maturity model



## Data analysis and interpretation

According to the study conducted in 2021,

- **76%** of the sampled companies have explained how the reporting principles are applied in ESG reports.
- **75%** of the sampled companies have disclosed the process to identify and the criteria for the selection of material ESG factors.
- **95%** of the sampled companies have disclosed the description of significant stakeholders identified and the process of the issuer's stakeholder engagement.
- **88%** of the sampled companies have disclosed the results of the issuer's stakeholder engagement.

## Industry disclosure

As for the explanation of how the reporting principles (materiality, quantitative and consistency) are applied in the preparation of ESG reports

- Top 3 industries with the highest level of disclosure:

There is no significant gap among industries in respect of the overall disclosure of the other three indicators



information technology



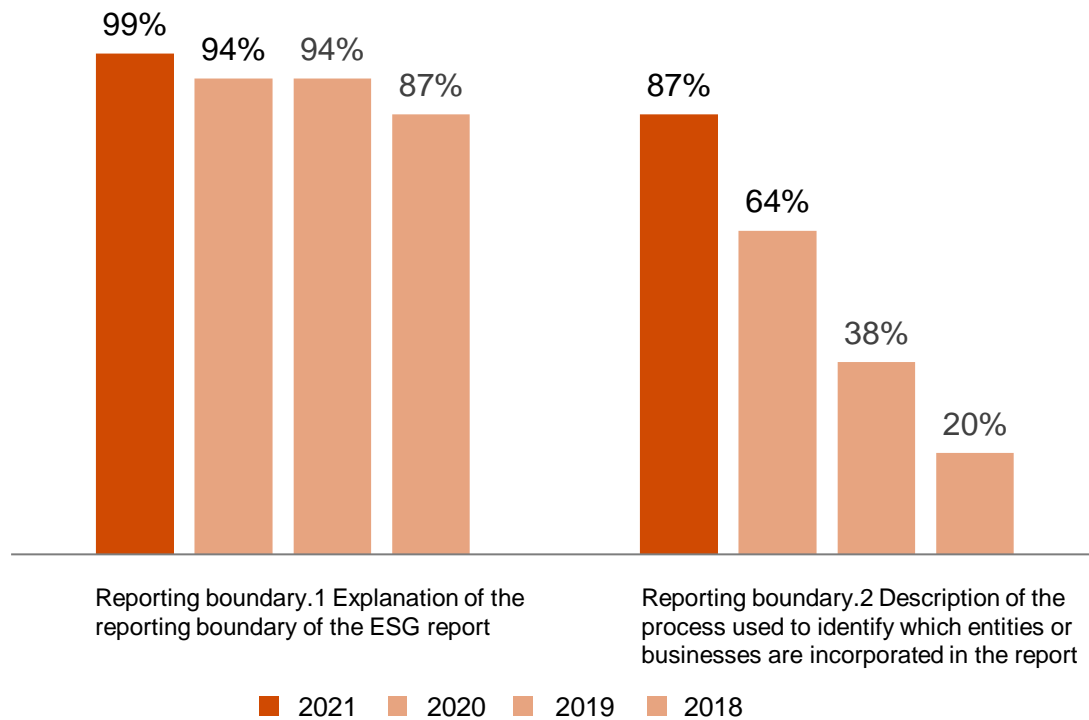
healthcare



consumer staples

# Mandatory disclosure requirements: Reporting boundary

Listed companies should develop a strategy to determine ESG reporting boundary based on the stakeholders' concerns, business characteristics and ESG risks, and decide which entities or operations are incorporated in the ESG report according to their own circumstances. The disclosure scope of the ESG report should include corporate organisations with "material" impacts and clear explanations should be made therein in case there are different disclosure scopes and statistical standards for different ESG aspects.



## Classification of this issue in the maturity model



## Data analysis and interpretation

In view of the reporting boundary with good disclosure, the study conducted in 2021 shows that,

- **99%** of the sampled companies have disclosed the reporting boundary of the ESG report.
- **87%** of the sampled companies have disclosed the process to identify which entities or businesses are incorporated in the report.





# Mandatory disclosure requirements: Reflection on this section

## The analysis of the sampled ESG reports for 2021 indicates that:

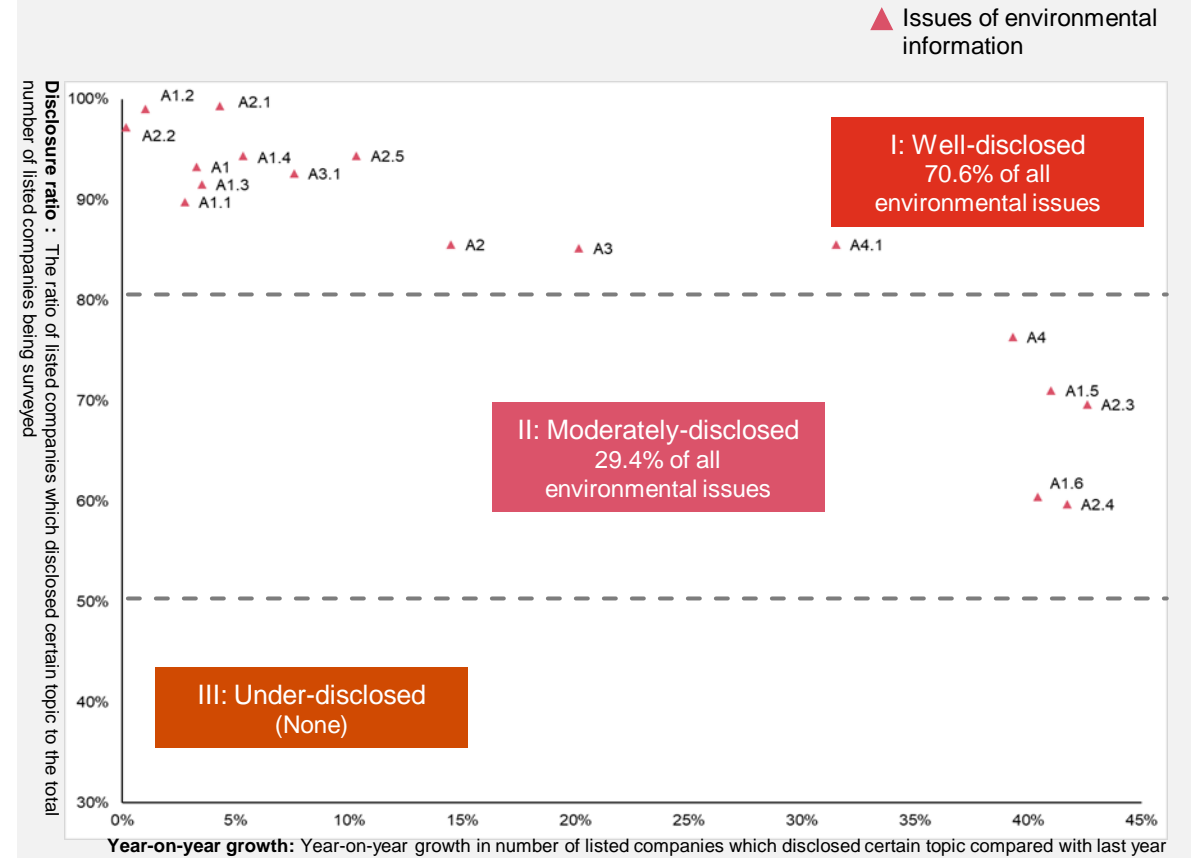
- Listed companies have made relatively satisfactory disclosures with respect to the board's oversight of ESG matters, the description of significant stakeholders identified and the process and results of the issuer's stakeholder engagement, as well as the reporting boundary, with a disclosure ratio of more than 80%.
- The disclosure of several indicators could improve further, mainly including the board's ESG management approach and strategy, and how the board reviews the progress towards ESG-related targets.

## As for the issues classified as III under-disclosed and II moderately-disclosed, we put forward the following recommendations:

- As for the under-disclosed issues (the board's ESG management approach and strategy, and how the board reviews the progress towards ESG-related targets),
  - In the short term, listed companies should actively establish the ESG committee to undertake ESG-related matters, ensure ESG work is under the supervision of the board, assist the board to effectively monitor the establishment and fulfilment of ESG targets, identify ESG issues that have a significant impact on the company's operation, and develop management approach and strategy to address related risks. In the long run, listed companies should incorporate ESG into their strategy and business operation, and leverage ESG to empower the company to create long-term value.
- As for the moderately-disclosed issues (description or explanation of the application of the reporting principles, the process to identify and the criteria for the selection of material ESG factors in preparation of ESG reports),
  - Listed companies should refine the process and procedures of materiality assessment, effectively identify "material" issues, comply with principles of "materiality", "quantitative" and "consistency" throughout the ESG management process, and make detailed disclosures in the report.

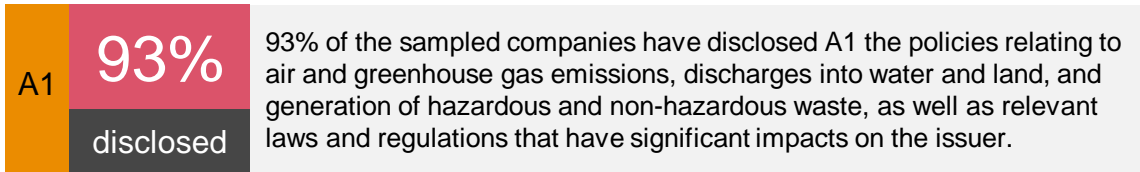
# Management and disclosure of environmental information

No.	Content
<b>A1</b>	<b>Emission policies and regulations</b>
A1.1	The types of emissions and respective emissions data
A1.2	Greenhouse gas emissions and intensity
A1.3	Total hazardous waste produced and intensity
A1.4	Total non-hazardous waste produced and intensity
A1.5	Emission targets
A1.6	Waste reduction targets
<b>A2</b>	<b>Policies on the efficient use of resources</b>
A2.1	Energy consumption in total and intensity
A2.2	Water consumption in total and intensity
A2.3	Energy use efficiency targets
A2.4	Water efficiency targets
A2.5	Total packaging material used for finished products and intensity
<b>A3</b>	<b>Policies on environment and natural resources</b>
A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them
<b>A4</b>	<b>Climate change policy</b>
A4.1	Description of the significant climate-related issues which have impacted, and those which may impact, the issuer, and the actions taken to manage them



# Management and disclosure of environmental information

## A1: Emissions



### Classification of this issue in the maturity model



### Disclosure of KPIs

#### A1.1 The types of emissions and respective emissions data



#### A1.3 Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility)



#### A1.2 Direct (Scope 1) and energy indirect (Scope 2) greenhouse gas emissions (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility)



#### A1.4 Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility)



### Data analysis and interpretation

According to the study data in 2021,

- **90%** of the sampled companies have disclosed A1.1 the types of emissions and respective emissions data.
- **99%\*** of the sampled companies have disclosed A1.2 greenhouse gas data, of which **23%** of the sampled issuers have disclosed the data of Scope 3 on the basis of Scope 1 and Scope 2, involves outsourced goods and services, business travel, and waste generated from operations, with most of the disclosed items concentrated in the upstream of the value chain.
- **92%** and **57%** of the sampled companies have disclosed A1.3 hazardous waste data and the data of hazardous waste intensity, respectively.
- **94%** and **67%** of the sampled companies have disclosed A1.4 non-hazardous waste data and the data of non-hazardous waste intensity, respectively.

### Industry disclosure

As for indicators related to A1 emissions,

- Top 3 industries with the highest level of disclosure:



oil and gas



IT equipment



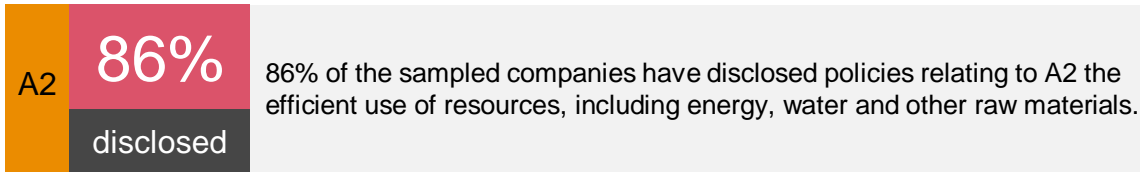
automotive

\*For KPI A1.2, the data includes sampled companies that only disclose total greenhouse gas emissions and do not distinguish between direct and indirect emissions

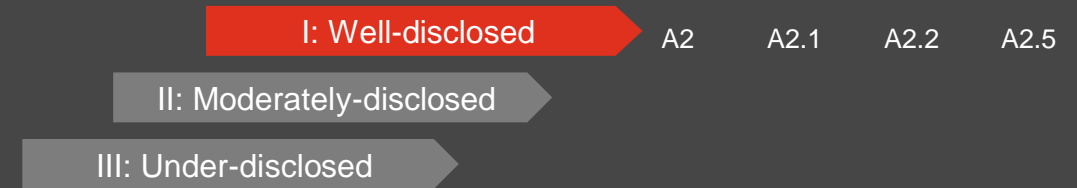


# Management and disclosure of environmental information

## A2: Use of resources



### Classification of this issue in the maturity model



### Disclosure of KPIs

#### A2.1 Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in '000s) and intensity (e.g. per unit of production volume, per facility)



#### A2.2 Water consumption in total and intensity (e.g. per unit of production volume, per facility)



#### A2.5 Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced



### Data analysis and interpretation

According to the study data in 2021,

- **99%** and **85%** of the sampled companies have disclosed A2.1 energy consumption data and energy consumption intensity, respectively.
- **97%** and **86%** of the sampled companies have disclosed A2.2 water consumption data and water consumption intensity, respectively.
- **94%** of the sampled companies have disclosed A2.5 packaging material data.

### Industry disclosure

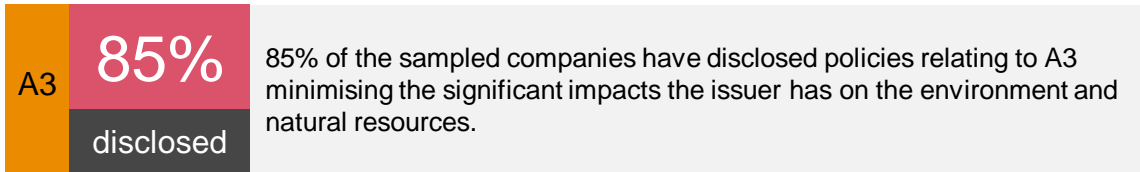
As for indicators related to A2 use of resources,

- Top 3 industries with the highest level of disclosure:



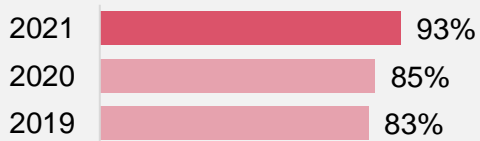
# Management and disclosure of environmental information

## A3: The environment and natural resources

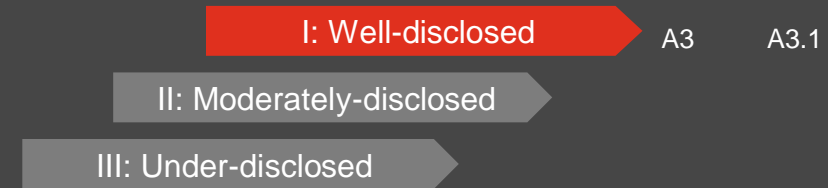


### Disclosure of KPIs

#### A3.1 Description of the significant impacts of business activities on the environment and natural resources and the actions taken to manage them



#### Classification of this issue in the maturity model



#### Data analysis and interpretation

According to the study data in 2021,

- **93%** of the sampled companies have disclosed A3.1 the significant impacts of business activities on the environment and natural resources and the actions taken to manage them.
- At present, as for this indicator, the common response of listed companies in Hong Kong is to repeatedly disclose the measures taken to save energy and reduce emissions, and there is still some difficulty in explaining the impact of their business on the environment and natural resources.

#### Industry disclosure

As for indicators related to A3 the environment and natural resources,

- Top 3 industries with the highest level of disclosure:



utilities



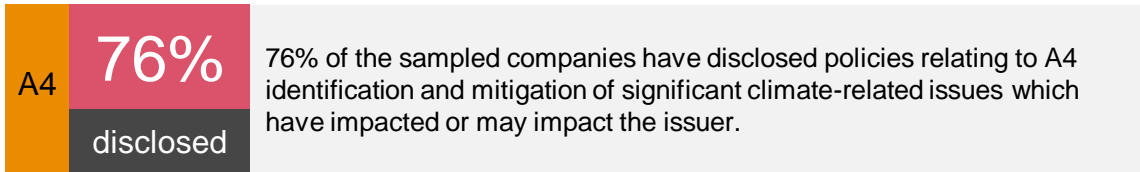
automotive



properties

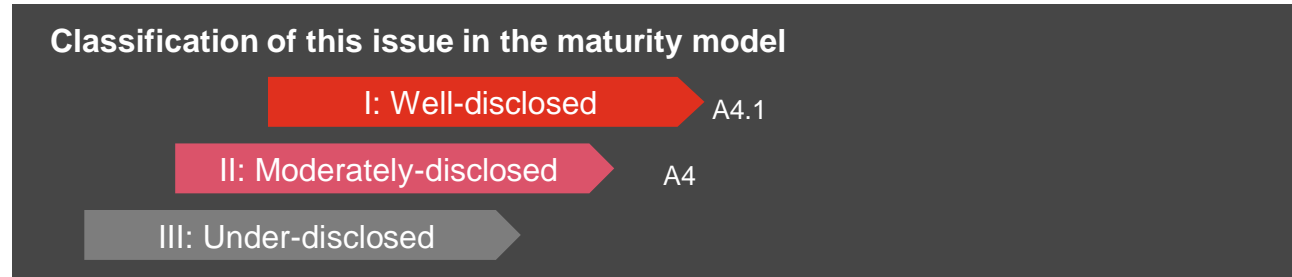
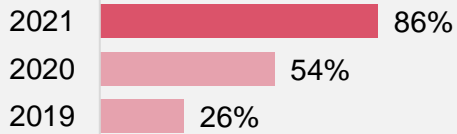
# Management and disclosure of environmental information

## A4: Climate change



### Disclosure of KPIs

#### A4.1 Description of the significant climate-related issues which have impacted or may impact the issuer, and the actions taken to manage them



#### Data analysis and interpretation

According to the study data in 2021,

- **86%** of the sampled companies have disclosed A4.1 significant climate-related issues and the actions taken to manage them, and the level of disclosure has been significantly improved.
- Some companies have begun to disclose climate change-related information in accordance with the Task Force on Climate-Related Financial Disclosure (TCFD) framework. The average disclosure ratios of governance, strategy, risk management and metrics and targets are **44%**, **26%**, **36%** and **57%**, respectively.

**Industry disclosure**

As for indicators related to A4 climate change,

- Top 3 industries with the highest level of disclosure:



utilities



properties



pharmaceuticals



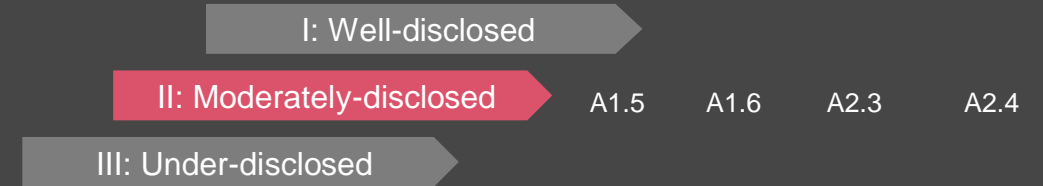
# Management and disclosure of environmental information

## Environmental targets

### Environmental targets

In 2019, the New Rules revised the disclosure provisions of four KPIs, i.e., A1.5, A1.6, A2.3 and A2.4, requiring listed companies to formulate and disclose targets for emissions, waste reduction, energy consumption and water efficiency.

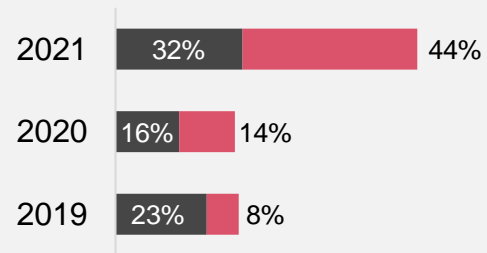
### Classification of this issue in the maturity model



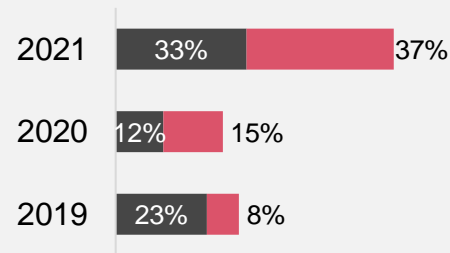
### Disclosure of KPIs

- Qualitative targets
- Quantitative targets

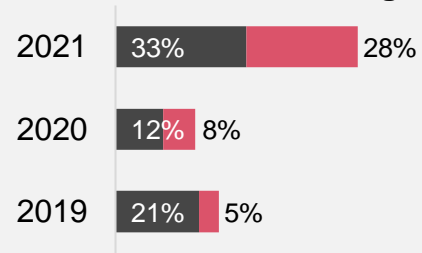
#### A1.5 Emission targets



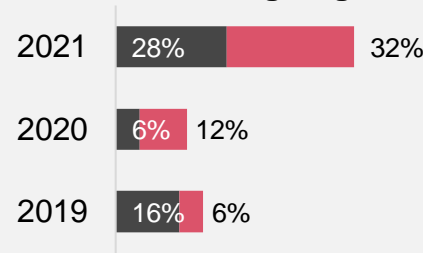
#### A2.3 Energy use targets



#### A1.6 Waste reduction targets



#### A2.4 Water-saving targets



### Data analysis and interpretation

The disclosure of environmental targets for 2021 has been better than previous years, and the proportion of disclosure of qualitative and quantitative targets has increased significantly.

- **76%**, **32%** and **44%** of the sampled companies have disclosed A1.5 emission targets, qualitative targets and quantitative targets, respectively.
- **61%**, **33%** and **28%** of the sampled companies have disclosed A1.6 waste reduction targets, qualitative targets and quantitative targets, respectively.
- **70%**, **33%** and **37%** of the sampled companies have disclosed A2.3 energy use targets, qualitative targets and quantitative targets, respectively.
- **60%**, **28%** and **32%** of the sampled companies have disclosed A2.4 water-saving targets, qualitative targets and quantitative targets, respectively.

### Industry disclosure

As for quantitative environmental targets,

- Top 3 industries with the highest level of disclosure:



oil and gas



household appliances and supplies



food and beverage

# Reflection on this section

## The analysis of the sampled ESG reports for 2021 indicates that:

- The disclosure of A1 emissions, A2 use of resources and A3 the environment and natural resources conducted by listed companies is relatively satisfactory, with a disclosure ratio of 85%.
- The disclosure ratio of the quantitative environmental targets of listed companies has increased significantly, an increase of more than 20% over 2020, but there is still room for improvement.
- Some listed companies have disclosed climate change information in their ESG reports with reference to the TCFD framework, but the disclosure extent of specific items (governance, strategy, risk management, metrics and targets) is varying.
- Listed companies' assessment results regarding the materiality to stakeholders vary with industry characteristics, and the typical and significant environmental issues are as follows\*:
  - Properties and construction: green building
  - Retail: green packaging
  - Healthcare: medical waste treatment
  - Telecommunications, media and technology: use of clean energy in data centre and electronic waste management
  - Energy: energy transformation, development of clean energy, renewable energy and environmental governance



\* PwC Research Report on the Sustainability Trends of Hong Kong Listed Companies

\*\* Guidance on Climate Disclosure published by the HKEX

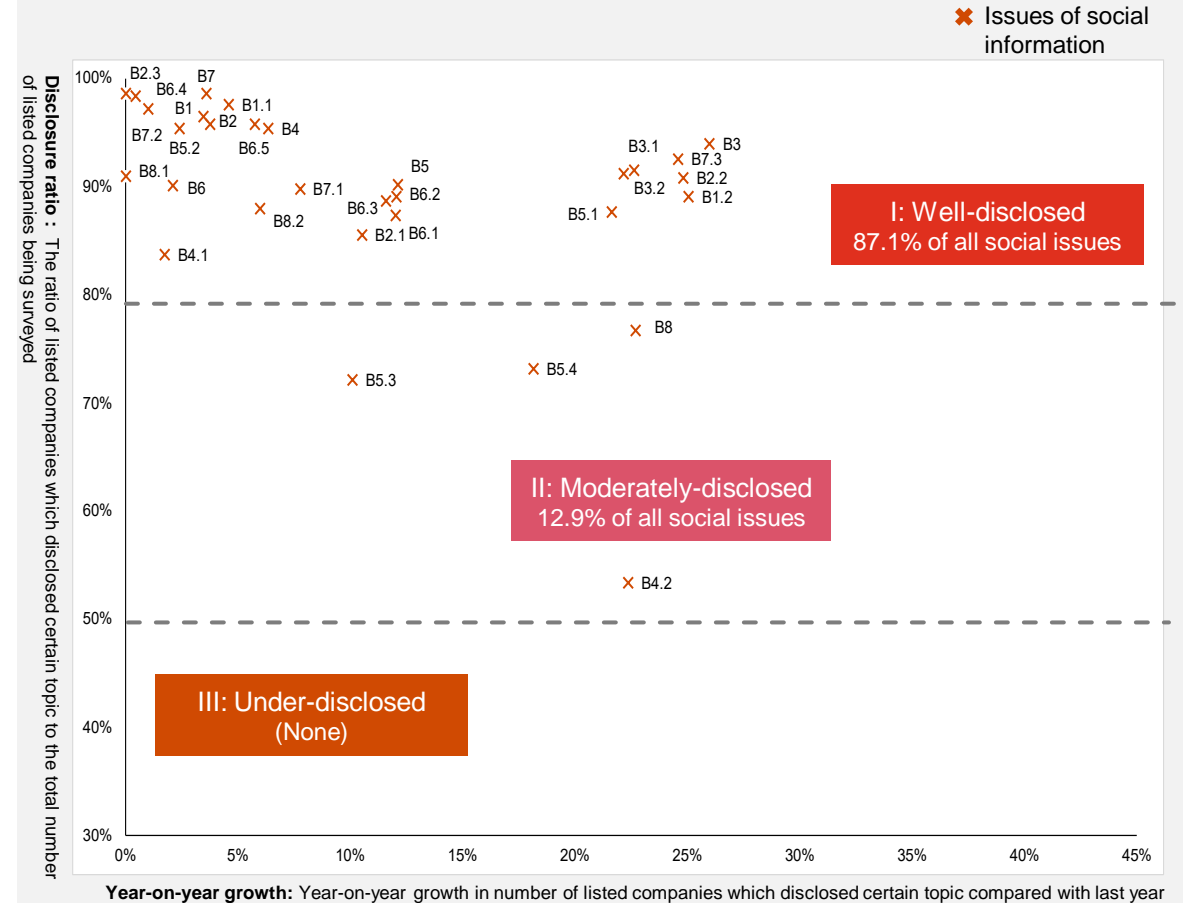
## We put forward the following suggestions in regard to II moderately-disclosed issues of environmental information:

- As for A4 policies for addressing climate change,
  - Listed companies can formulate policies for addressing climate change with reference to the TCFD framework. The Exchange's ESG reporting requirements have incorporated certain key recommendations of the TCFD. Meanwhile, Hong Kong's Green and Sustainable Finance Cross-Agency Steering Group has announced plans for mandatory TCFD-aligned climate-related disclosures\*\* by 2025. Listed companies should conduct reporting as soon as possible in accordance with TCFD recommendations, develop a governance structure and strategy to manage climate risks, improve the system for identifying and managing climate risks, make more complete disclosure of TCFD-specific items and effectively respond to compliance requirements.
- As for the environmental targets such as A1.5, A1.6, A2.3, A2.4 emissions and energy consumption,
  - Considering that it is difficult to measure and realise qualitative environmental targets, listed companies should strengthen the setting of quantitative environmental targets, adhere to the "SMART" principles to keep ESG data accurate and consistent, effectively monitor the progress made against environmental targets and adjust relevant strategies timely, so as to ensure the achievement of environmental targets.



# Management and disclosure of social information

No.	Content	No.	Content
<b>B1</b>	<b>Employment policies and laws and regulations</b>	B5.3	Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored.
B1.1	Total workforce	B5.4	Practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored.
B1.2	Employee turnover rate	<b>B6</b>	<b>Product responsibility policies and regulations</b>
<b>B2</b>	<b>Health and safety policies and regulations</b>	B6.1	Percentage of recall for safety and health reasons
B2.1	Work-related fatalities	B6.2	Number of products and services related complaints and how they were handled
B2.2	Lost days due to work injury	B6.3	Practices to protect intellectual property rights
B2.3	Occupational health and safety measures, implementation and monitoring	B6.4	Quality assurance and recall procedures
<b>B3</b>	<b>Development and training policy</b>	B6.5	Consumer data protection and privacy policies, and their implementation and monitoring
B3.1	Percentage of employees trained	<b>B7</b>	<b>Anti-corruption policies and regulations</b>
B3.2	Average training hours completed per employee	B7.1	Number and outcome of legal cases for corrupt practices
<b>B4</b>	<b>Labour standards policies and regulations</b>	B7.2	Preventive measures and whistle blowing procedures, and their implementation and monitoring
B4.1	Measures to avoid child and forced labour	B7.3	Anti-corruption training
B4.2	Steps taken to eliminate violations of labour standards	<b>B8</b>	<b>Community investment policy</b>
<b>B5</b>	<b>Supply chain management policy</b>	B8.1	Focus contribution areas
B5.1	Number of suppliers by geographical region	B8.2	Resources contributed to the focus area
B5.2	Supplier engagement practices, number of suppliers for which the practices are implemented, and their implementation and monitoring methods		



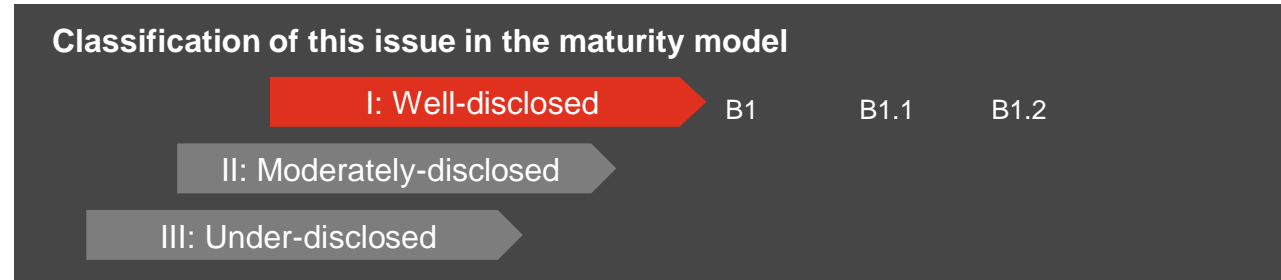


# Management and disclosure of social information

## B1: Employment

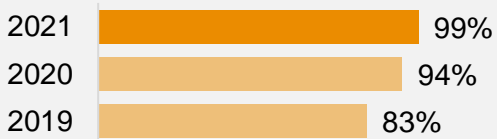
**B1** **96%**  
disclosed

96% of the sampled companies have disclosed the information on their policies regarding compensation and dismissal, recruitment and promotion, working hours, rights to leaves, equal opportunity, diversity, and other benefits and welfare, and their compliance with relevant laws and regulations that have a significant Impact on the issuer.

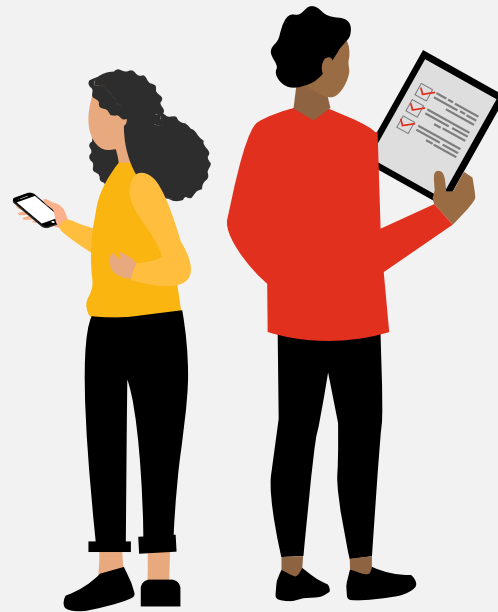
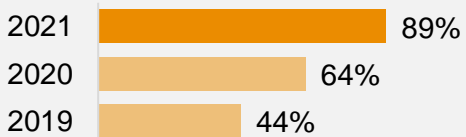


### Disclosure of KPIs

**B1.1 Total workforce by gender, employment type (for example, full- or part-time), age group and geographical region**



**B1.2 Employee turnover rate by gender, age group and geographical region**



### Data analysis and interpretation

According to the study data in 2021,

- **99%** of the sampled companies have disclosed B1.1 total workforce by gender, employment type, age group and geographical region.
- **89%** of the sampled companies have disclosed B1.2 employee turnover rate by gender, age group and geographical region. Since requirements for this Indicator were upgraded from “recommended disclosures” to “comply or explain” provisions In the ESG Reporting Guide, the disclosure ratio Increased year by year.

**Industry disclosure**

As for KPI B1 employment,

- Top 3 industries with the highest level of disclosure:

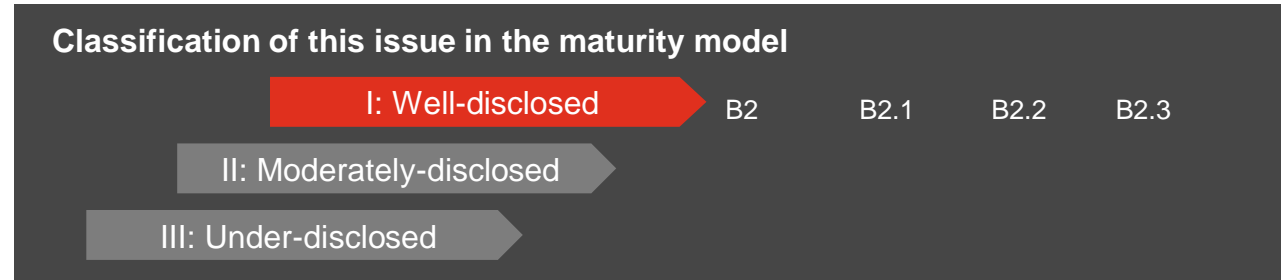


# Management and disclosure of social information

## B2: Health and safety

**B2** **96%**  
disclosed

96% of the sampled companies have disclosed the information on their policies regarding providing a safe working environment and protecting employees from occupational hazards, and their compliance with relevant laws and regulations that have a significant Impact on the issuer.

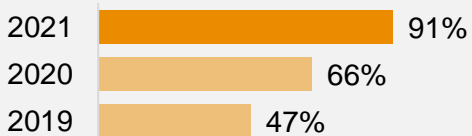


### Disclosure of KPIs

#### B2.1 Number and rate of work-related fatalities occurred in each of the past three years Including the reporting year



#### B2.2 Lost days due to work injury



#### B2.3 Description of occupational health and safety measures adopted, and how they are Implemented and monitored



### Data analysis and interpretation

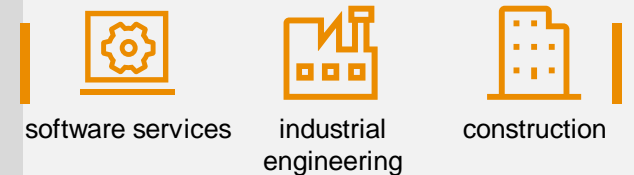
According to the study data in 2021,

- **86%** of the sampled companies have disclosed B2.1 number and rate of work-related fatalities occurred in each of the past three years.
- **91%** of the sampled companies have disclosed B2.2 lost days due to work Injury
- **99%** of the sampled companies have disclosed B2.3 description of occupational health and safety measures adopted, and how they are Implemented and monitored.

#### Industry disclosure

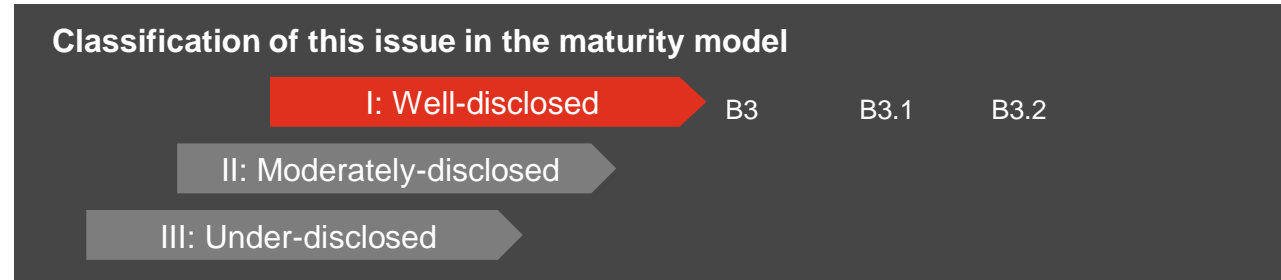
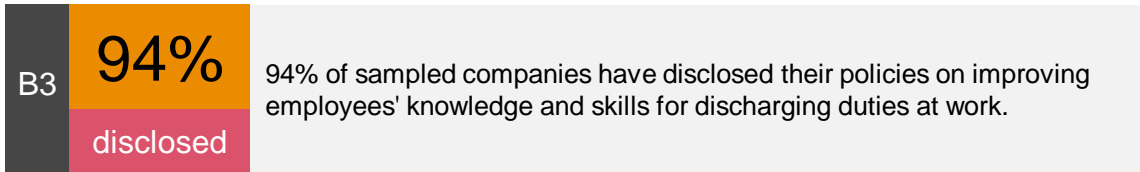
As for KPI B2 health and safety,

- Top 3 industries with the highest level of disclosure:



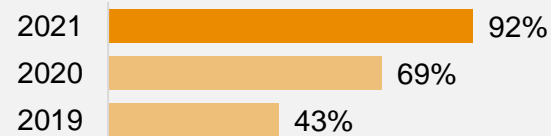
# Management and disclosure of social information

## B3: Development and training

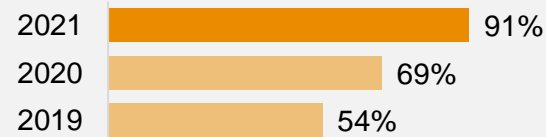


### Disclosure of KPIs

#### B3.1 The percentage of employees trained by gender and employee category



#### B3.2 The average training hours completed per employee by gender and employee category



#### Data analysis and interpretation

According to the study data in 2021, the disclosure ratio of the KPI related to development and training has witnessed a significant increase,

- **92%** of the sample companies have disclosed B3.1 the percentage of employees trained by gender and employment category.
- **91%** of the sample companies have disclosed B3.2 the average training hours completed per employee by gender and employee category.

#### Industry disclosure

As for KPI B3 development and training,

- Top 3 industries with the highest level of disclosure:



properties



oil and gas

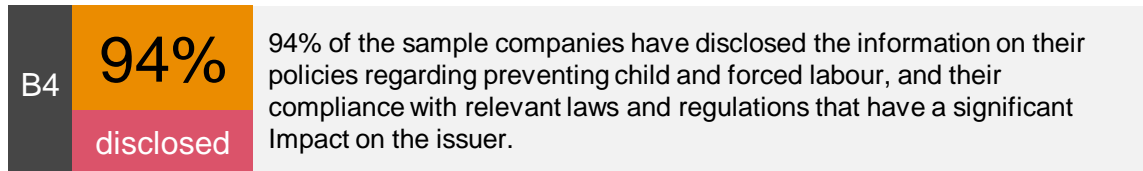


industrial support



# Management and disclosure of social information

## B4: Labour standards

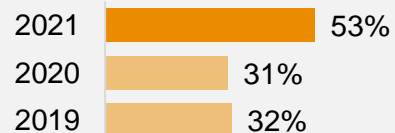


### Disclosure of KPIs

#### B4.1 Description of measures to review employment practices to avoid child and forced labour



#### B4.2 Description of steps taken to eliminate such practices when discovered



### Classification of this issue in the maturity model



### Data analysis and interpretation

According to the study data in 2021,

- **84%** of the sampled companies have disclosed B4.1 description of measures to review employment practices to avoid child and forced labour.
- **53%** of the sampled companies have disclosed B4.2 description of steps taken to eliminate such practices when discovered, a significant Increase compared to previous years.

#### Industry disclosure

As for KPI B4 labour standards,

- Top 3 industries with the highest level of disclosure:



automotive



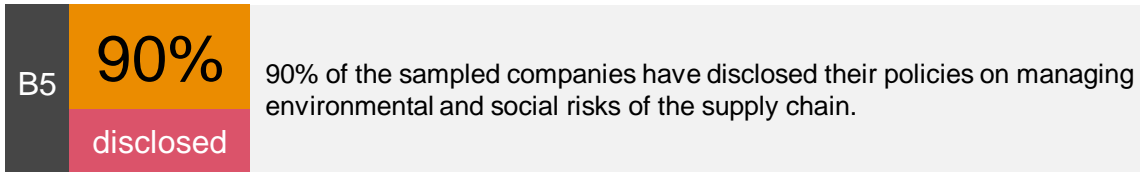
industrial  
engineering



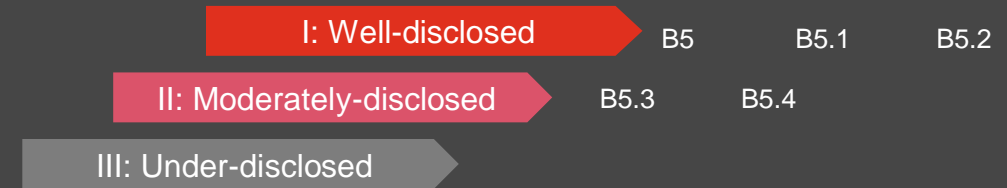
industrial  
support

# Management and disclosure of social information

## B5: Supply chain management

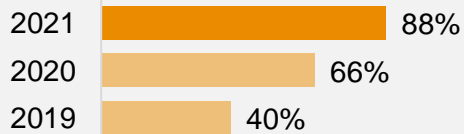


### Classification of this issue in the maturity model



### Disclosure of KPIs

#### B5.1 Number of suppliers by geographical region



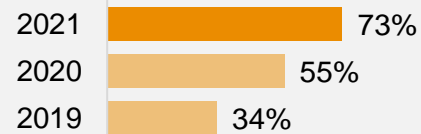
#### B5.3 Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored



#### B5.2 Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, how they are implemented and monitored



#### B5.4 Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored



### Data analysis and interpretation

According to the study data in 2021,

- **88%** of the sampled companies have disclosed B5.1 number of suppliers by geographical region.
- **95%** of the sampled companies have disclosed B5.2 description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, and how they are implemented and monitored.
- **72%** of the sampled companies have disclosed B5.3 description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored.
- **73%** of the sampled companies have disclosed B5.4 description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored.

### Industry disclosure

As for KPI B5 supply chain management,

- Top 3 industries with the highest level of disclosure:



automotive



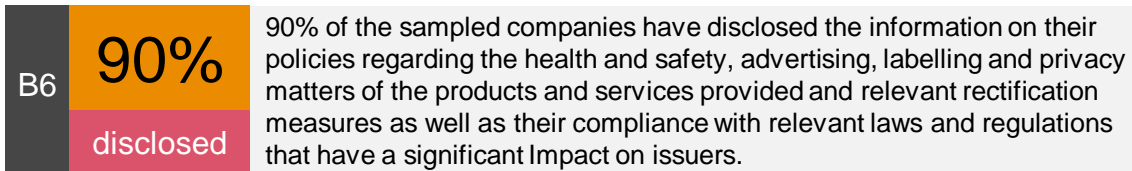
oil and gas



industrial engineering

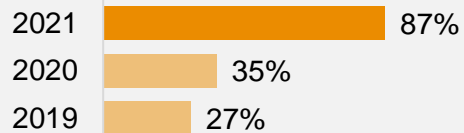
# Management and disclosure of social information

## B6: Product responsibility



### Disclosure of KPIs

#### B6.1 Percentage of total products sold or shipped subject to recalls for safety and health reasons\*



#### B6.2 Number of products and service related complaints received and how they are dealt with



#### B6.3 Description of practices relating to observing and protecting Intellectual property rights



#### B6.4 Description of quality assurance process and recall procedures\*



#### B6.5 Description of consumer data protection and privacy policies, and how they are implemented and monitored



### Classification of this issue in the maturity model



### Data analysis and interpretation

According to the study data in 2021,

- **87%** of the sample companies have disclosed B6.1 percentage of total products sold or shipped subject to recalls for safety and health reasons. This KPI is not applicable to certain listed companies with different business characteristics.
- **89%** of the sample companies have disclosed B6.2 number of products and service related complaints received and how they are dealt with.
- **89%** of the sample companies have disclosed B6.3 description of practices relating to observing and protecting Intellectual property rights.
- **98%** of the sample companies have disclosed B6.4 description of quality assurance process and recall procedures. This KPI, like KPI 6.1, is subject to industry limitation.
- **96%** of the sample companies have disclosed B6.5 description of consumer data protection and privacy policies, how they are implemented and monitored.

### Industry disclosure

As for KPI B6 product responsibility,

- Top 3 industries with the highest level of disclosure:



\*For KPI B6.1 and B6.4, the data in 2021 exclude samples from industries where these KPIs do not apply and the data of previous years are not altered retrospectively



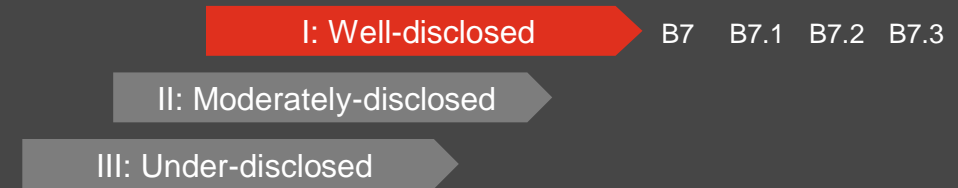
# Management and disclosure of social information

## B7: Anti-corruption

**B7** **99%**  
disclosed

99% of the sample companies have disclosed the information on their policies regarding bribery, extortion, fraud and money laundering, and their compliance with relevant laws and regulations that have a significant Impact on the issuer.

### Classification of this issue in the maturity model

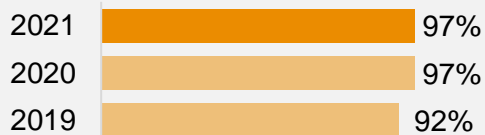


### Disclosure of KPIs

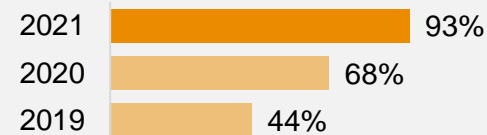
#### B7.1 Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases



#### B7.2 Description of preventive measures and whistle-blowing procedures, and how they are implemented and monitored



#### B7.3 Description of anti-corruption training provided to directors and staff



### Data analysis and interpretation

According to the study data in 2021,

- **90%** of the sample companies have disclosed B7.1 number of concluded legal cases regarding corrupt practices and the outcomes of the cases.
- **97%** of the sample companies have disclosed B7.2 description of preventive measures and whistle-blowing procedures, and how they are implemented and monitored.
- **93%** of the sample companies have disclosed B7.3 description of anti-corruption training provided to directors and staff. B7.3 is a new KPI, and the disclosure ratio has witnessed significant growth in recent years.

#### Industry disclosure

As for KPI B7 anti-corruption,

- Top 3 industries with the highest level of disclosure:



automotive



oil and gas



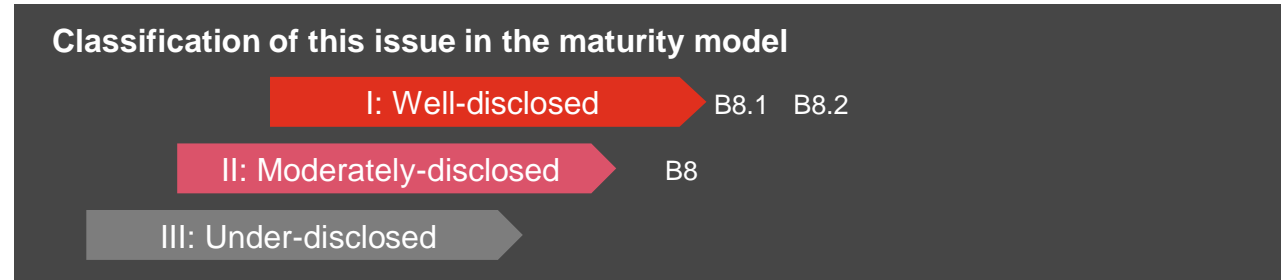
other finance

# Management and disclosure of social information

## B8: Community Investment

**B8** **77%** disclosed

77% of the sampled companies have disclosed their policies regarding enhancing community engagement to understand the needs of the communities where the Issuer operates and to ensure the integration of the communities' Interests in its activities.



### Disclosure of KPIs

**B8.1 Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport)**



**B8.2 Resources contributed (e.g. money or time) to the focus areas**



### Data analysis and interpretation

According to the study data in 2021,

- **91%** of the sampled companies have disclosed B8.1 focus areas of contribution.
- **88%** of the sampled companies have disclosed B8.2 resources contributed to the focus area.

#### Industry disclosure

As for KPI B8 community investment,

- Top 3 industries with the highest level of disclosure:



properties



oil and gas



pharmaceuticals and biotechnology



# Reflection on this section

## The analysis of the sampled ESG reports for 2021 indicates that:

- Listed companies' disclosures on B1 employment, B2 health and safety, B3 development and training and B7 anti-corruption are relatively satisfactory, with the disclosure ratio of each issue exceeding 85%.
- Listed companies' disclosures on negative KPIs such as work-related injuries, work-related fatalities and employee turnover are more complete than those previous years, with the disclosure ratio increased by more than 10%.
- Listed companies' assessment results of the materiality to stakeholders vary by industry, and the typical material issues related to social performance are as follows\*:
  - Property development: construction quality, occupational health and safety
  - Banking: green financial products, fintech, inclusive finance and service quality
  - Retail: product quality, supply chain management, labour interests and after-sales service
  - Healthcare: medical service quality, personal Information protection, retention of medical talents
  - Telecommunications, media and technology: data security, personal Information security, content innovation and service quality
  - Energy: health and safety



\* PwC Research Report on the Sustainability Trends of Hong Kong Listed Companies

## We put forward the following suggestions in regard to II moderately-disclosed issues related to social performance:

- As for B4.2 steps taken to eliminate violations of labour standards,
  - Although many listed companies do not have such violations, they should still improve their systems and measures to eliminate child labour or forced labour of any kind.
- As for B5.3 description of practices used to identify environmental and social risks along the supply chain and B5.4 description of practices used to promote environmentally preferable products and services,
  - Listed companies should enhance the assessment and management of suppliers' environmental and social risks. For environmental risks, listed companies could encourage suppliers to set environmental goals, assess suppliers' carbon emissions and build a green supply chain; for social risks, listed companies should strengthen responsible procurement, and raise the awareness of conflict minerals and human rights when selecting suppliers. Additionally, listed companies should also attach attention to the exposure to the significant risks of child labour and forced labour of foreign suppliers from less developed regions. Listed companies could engage third parties to conduct audits on the social responsibility of suppliers, and also consider requiring suppliers to make annual commitment to compliance with relevant local laws and regulations.
- As for the B8 community Investment,
  - Listed companies could formulate and improve the policies for community engagements, deeply understand the needs of their communities, and improve the effective allocation of the resources contributed to the focus area based on the characteristics of their businesses.







4

# Conclusion and outlook





# Conclusion and outlook

## Five recommendations for the ESG management of Hong Kong listed companies

### Recommendation 1

Optimize ESG governance and strengthen risk management

- Formulate an ESG strategy matching the business strategy
- Incorporate ESG skills in the current skills matrix of the board and staff
- Regularly review the company's ESG risk management strategy and response
- Consider the engagement of the Internal audit function in more ESG issues

### Recommendation 2

Enhance the communication and convey ESG concept with stakeholders

- Gain understanding of the ESG issues concerned by stakeholders and set company's overall goals and strategies based on the understanding
- Strengthen ESG information communication with stakeholders to create a benign ESG sustainable development ecosystem

### Recommendation 3

Orient to ESG goals to drive transformational change

- Strengthen the accumulation of ESG data and knowledge
- Set targeted qualitative and quantitative goals
- Adopt scientific carbon emission target and accounting system
- Adopt aggressive ESG transformation strategies to drive change

### Recommendation 4

Address climate change and clarify response strategies

- Assess the risks and impact of climate change under different scenarios
- Incorporate climate risk into the company's risk management system
- Adjust strategies and business models to address climate change

### Recommendation 5

Embrace digital technology to improve ESG reporting process

- Adopt digital tools for ESG to speed up the disclosure process
- Respond positively to Institutional investors' requests for carbon footprint data
- Engage independent third-party assurance to enhance the authority and credibility of information and data





# Appendix



# Appendix: Citation List

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