



HERA



HONG KONG ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORTING AWARDS

Judges' Report 2019

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FOREWORD

This is the second year of Hong Kong ESG Reporting Awards (HERA). We are pleased to announce that HERA 2019 has attracted over 70 submissions representing a wide array of companies from different business and industry segments. The total fees received against nominations, amounting to HKD40,000, have been donated to Greeners Action, a Hong Kong registered charity organisation that has been advocating environmental protection for over two decades.

A new award category in addition to the existing 5 categories – Excellence in Social Disclosure – was introduced in HERA 2019. The purpose of this category is to emphasise that disclosure of social performance should be assigned equal importance in ESG reporting.

APPRECIATION

HERA would like to place on record its appreciation of the efforts and time put in by the panel of judges. HERA would also like to sincerely thank the sponsor of the venue and other supporting organisations for their generosity in supporting the Awards. We would also like to thank and congratulate the participating and winning companies. We're always grateful for feedback, whether on the HERA, this report, the website or anything else that's relevant to how we address ESG reporting - just email us at hera@alayaconsulting.com.hk.



DEVELOPMENT IN ESG

It has been four years since the Hong Kong Stock Exchange (HKEX) stipulated the “Comply or Explain” provisions in the ESG Guidelines. The year 2019 was pivotal in development of ESG in Hong Kong. In December, Hong Kong Stock Exchange (HKEX) published its conclusions after the second consultation on ESG and announced that it will implement the new requirements proposed after the consultation, with modifications reflecting the comments received, from financial years commencing on or after 1 July 2020. The new requirements will significantly improve Hong Kong’s regulatory framework for ESG governance and disclosure and position the Hong Kong bourse as a pioneer in driving ESG disclosure in Asia.



Board involvement is needed more than ever

A successful migration to the new approach to ESG, however, hinges on company boards recognising the role they need to play in the sustainability journey. As stipulated after the consultation on ESG, HKEX requires listed companies in Hong Kong to prepare a board statement on a mandatory basis, disclosing the board's oversight of ESG issues, and the progress made against ESG-related targets.

Today, ESG is no longer a CSR or reputational issue. ESG risks represent financial, operational and compliance risks to companies and failure to manage these risks can have adverse financial repercussions for a company. Disclosure of ESG performance in annual ESG reports is merely a beginning; it is more about a company's long-term strategy for sustainable development, and its day-to-day management in environmental, social and governance aspects.

The demand for quality data has been escalating

ESG information is at present being used in conjunction with financial information by investors and rating agencies for analysis and decision making. There have been increasing demands from investors for more of quality and reliable data. Besides setting targets to track their ESG performances, issuers are encouraged to seek independent assurance to strengthen the credibility of the disclosed ESG information, thereby increasing investor confidence in ESG reports.

There have been strident calls for companies to respond to climate change. Since the global consensus on the 2015 Paris Agreement on climate change, there have been calls requesting companies and societies to transit into sustainable economy. In September 2018, the Securities and Futures Commission (SFC) issued Paper 3 which recommends enhancing listed companies' reporting of climate-related risks and opportunities, based on recommendations of the Task Force on Climate-related Financial Disclosures (TCFD).

A new A4 Climate Change aspect has been introduced by the HKEX in the revised ESG Guidelines. With the negative impacts of climate change becoming more visible and intense, it has become difficult for companies to disregard climate-related risks and opportunities. It will soon be common practice for companies to disclose significant climate-related issues that are relevant to their operations and have implications for the subsequent management approach.



AWARD CATEGORIES

Best ESG Report



Excellence in GRI Reporting



Excellence in Sustainability Reporting
for Non-listed Company



Excellence in Environmental Disclosure



Excellence in Social Disclosure



Innovative Front-runner Award



HERA 2019 JUDGING PANEL

The panel of judges for HERA is completely independent of the organiser and comprises of senior practitioners from E, S and G, which includes (in alphabetical order):

	<p>MR. ANGUS HO Executive Director, Greeners Action</p>
	<p>DR. YARIME MASARU Associate Professor, Division of Public Policy, The Hong Kong University of Science and Technology</p>
	<p>MS. JESSICA TAM Head of HKCSS-HSBC Social Enterprise Business Centre, The Hong Kong Council of Social Service</p>
<p>MR. STEPHEN WONG Deputy Executive Director and Head of Public Policy Institute Our Hong Kong Foundation</p>	
<p>IR. VINCENT KONG Sustainability Manager, Sun Hung Kai Properties</p>	

JUDGING CRITERIA

HERA 2019 focuses on the following 7 core criteria which are in line with the HKEX ESG Reporting Guideline and are regarded to be essential elements that better identify organisations that are committed to sustainability.



HERA 2019 WINNERS

BEST ESG REPORT – LARGE CAP



Winner:
AAC Technologies Holdings Inc.

Commendation:

- New World Development Company Ltd.
- China International Marine Containers (Group) Ltd.
- Chow Tai Fook Jewellery Group

EXCELLENCE IN GRI REPORTING



Winner:
Vtech Holdings Limited

Commendation:

- Alliance Construction Materials Limited
- AAC Technologies Holdings Inc.
- Health and Happiness (H&H) International Holdings Limited

BEST ESG REPORT – MID CAP



Winner:
Vtech Holdings Limited

Commendation:

- COSCO SHIPPING Ports Ltd.
- Health and Happiness (H&H) International Holdings Limited
- Pacific Basin Shipping Limited

EXCELLENCE IN ENVIRONMENTAL DISCLOSURE



Winner:
Vtech Holdings Limited

Commendation:

- COSCO SHIPPING Ports Ltd.
- Pacific Basin Shipping Limited
- Chow Tai Fook Jewellery Group

BEST ESG REPORT – SMALL CAP



Winner:
Hung Fook Tong Group Holdings Limited

Commendation:

- Chiho Environmental Group Limited
- Yip's Chemical Holdings Limited
- Baguio Green Group Limited

EXCELLENCE IN SOCIAL DISCLOSURE



Winner:
Vtech Holdings Limited

Commendation:

- COSCO SHIPPING Ports Ltd.
- Haier Electronics Group Co., Ltd
- Pacific Basin Shipping Limited

EXCELLENCE IN SUSTAINABILITY REPORT FOR NON-LISTED COMPANY



Winner:
Alliance Construction Materials Limited

Commendation:

- Dakota Industrial Co., Limited

INNOVATIVE FRONT- RUNNER AWARD



Winner:
AAC Technologies Holdings Inc.

Commendation:

- COSCO SHIPPING Ports Ltd.
- Haier Electronics Group Co., Ltd
- China Overseas Property Holdings Ltd

JUDGES' PERSPECTIVES



Disclosure on long-term sustainability strategy is encouraged

"We see that most of the reports state only what they did last year, maybe two or three years ago. But we want to see the direction the organisation is moving in, which is more forward-looking."

The judging panel expects forward-looking views in company reports, with more disclosure on long-term sustainable development strategies, in addition to showcasing of achievements in the year.

Companies are encouraged to provide their vision and how they see the direction in which the company is likely to move in the coming 5-10 years, and how they would engage in achieving the goals. Investors are also seeking information on how efforts made by companies in respect of enhancing of sustainability are likely to long-term create value, which can enable them to be more resilient and competitive.



Disclosure should adhere to the principle of materiality

"Companies should be more focused on reporting performance and efforts on aspects deemed material to them, instead of presenting a picture which shows they are doing equally well in all aspects. A well-executed materiality process forms a strategic direction for companies and the heart of decision-making for advancing towards sustainable development."

Environmental impacts should not be offset or compensated by environmental benefits. While some companies emphasise minimising their negative environmental impact, some companies, particularly in the manufacturing industry, have focused largely on environmental benefits brought by their operations e.g. achievements in green product development, attempting to offset or compensate their environmental impacts.

Companies are recommended to report on both environmental risks and opportunities in a balanced manner. Showing risk mitigation efforts and results while presenting concrete actions for pursuing positive impact on the environment are equally important for bringing about real change in face of current environmental issues.



Disclosure on life cycle impact is not sufficient

"Some of the companies are trying to identify their environmental footprints. This is very difficult for many companies, but it is recognised as something the companies can do."

Companies with a raw material supply chain should trace the origins of all their inputs, including natural capital, e.g. air, water and metals. That would depict a fuller picture of what and how much natural resources are employed by the company in its production processes.



Third-party assurance helps strengthen the credibility of the disclosed ESG data

"I emphasise a lot on reliability of data and the confidence one can have in the information presented. It would be nice to award additional bonus points to reports that are assured or verified by someone. At least they can demonstrate their information and data are sufficiently correct. Otherwise, it is just a self-claim."

It is pleasing to find that now more reports contain a lot of quantitative data. Though not mandated by the stock exchange, companies are advised to get third-party assurance for the data and information disclosed in their reports, as this helps to ensure accuracy of the disclosed numbers.



Adoption of global initiatives is the current sustainability reporting trend

"Many investors are looking at how their organisations' community investments and environmental goals are linked to the UN SDGs."

"SFC is adopting the TCFD Recommendations and is trying to align this with the regulatory framework. Hong Kong has also started to include climate change in new proposals, disclosures, and guidelines ... Obviously, this is the trend."

It is encouraging to see that more companies are making efforts to create linkages between their ESG performance and some global sustainability initiatives, such as United Nations Sustainability Development Goals (UN SDGs) and TCFD Recommendations. This is also the investors' expectation as they are looking for companies' efforts at making positive impact to the environment and the society.



Quality of sustainability reporting is not limited by the size of a company

"We have observed some outstanding companies in the mid-cap category. It is impressive that mid-cap companies are catching up in terms of ESG performance and ESG reporting."

"This implies that it is possible for mid-cap companies to perform as well as the large-cap companies. That should potentially encourage mid-cap and small-cap companies to improve their ESG performance."

Proven by the scoring, some companies in the mid-cap are doing as well as companies in the large-cap category (proven by their average score), implying that the quality of sustainability reporting is not limited by the size or resources of a company.



Case Studies help highlight specific performance of the company

Many winning companies have presented concrete case studies to illustrate their sustainability performance for the year. Pictures and infographics make it easier for readers to capture the highlights of the company's sustainability performance, adding value to the ESG reports.



CONCLUSION

Despite the challenges, the judges panel of 2019 concludes that the performance of HERA 2019 entrants has been satisfactory and has proved the potential of Hong Kong-listed companies to implement decent ESG management and perform quality ESG reporting, creating value for not only investors but also internal stakeholders of the company.

Looking ahead, the panel encourages companies to further enrich their reporting, in terms of increasing the comprehensiveness of descriptions of their environmental performance, adherence to the principle of materiality, obtaining external assurance, disclosure of long-term strategy and adoption of global ESG reporting initiatives. As proven by the winners of HERA 2019, the quality of sustainability reporting is not limited by the size or resources of the reporting corporation.

HERA's objective of raising the ESG reporting standard is not merely for assisting companies to comply with regulatory requirements or champion corporate awards but also to raise the awareness of the need for enhancing business sustainability and stewardship of businesses in driving the society towards more sustainable development.

We very much appreciate the precious feedback and recommendations from the judges panel of 2019 regarding the judging criteria and organisation of the awards. As we move forward, we will continue to innovate and improve the awards, pursuing the mission of promoting best practices in ESG reporting to drive local and regional corporate sustainability.

SUPPORTING ORGANISATIONS



SUSTAINABILITY PARTNERS



MEDIA PARTNER



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Alaya Consulting
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Building Trust Through Narrative

Hong Kong Environmental, Social and Governance Awards Organiser

ALAYA CONSULTING LIMITED

Alaya Consulting is a specialist consultancy focusing on ESG disclosure, pre-assurance and training. We are the organisers of the Hong Kong ESG Reporting Awards and the first ESG Advisory in Asia to receive approval from SBTi regarding our carbon reduction target. Facing escalating demands on climate change disclosure, Alaya has formulated a suite of climate solutions for establishing governance structure, drawing strategy, aligning with TCFD recommendations, setting up science-based targets and offering energy reduction solutions.

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Alaya Consulting
本識顧問

Building Trust Through Narrative

With over 200 ESG reports under our belt, we are passionate about communicating sustainability and business.

Alaya Consulting has been advising HSI constituents, industry leaders, A+H shares, etc., on ESG disclosure. Our award-winning approach enables you to build trust with your investors and stakeholders.

Our other professional services include carbon strategy and disclosure, pre-assurance, GRI training.

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