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# BEC Handbook:

Understanding Materiality  
for Environmental, Social  
and Governance Reporting





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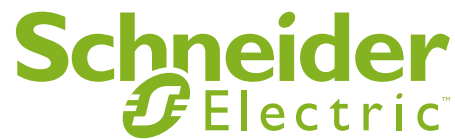


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We are also grateful to the Members of BEC ESG Advisory Group Steering Committee and reviewers, who took the time to review multiple drafts of the Handbook and provided comprehensive and constructive comments.



Some of today's most pressing questions revolve around the issue of sustainability. Can we meet the needs of the present without compromising the ability of future generations to meet their own needs? Can we create sustainable business models? How do we manage change towards a sustainable global economy?

Sustainability is the challenge of our time, and it is one that I believe we must tackle. Corporate sustainability reporting – also known as Environmental, Social and Governance Reporting or ESG Reporting – has an important role to play and is rapidly becoming an essential business management tool, the importance of which is recognised by companies and regulators alike. It is a means by which businesses can better understand the impacts of their activities, mitigate risks and identify opportunities. Simply put, ESG Reporting supports informed decision-making.

I envision this Handbook as a first step in our journey toward developing meaningful and valuable ESG Reporting in Hong Kong, with many more to come. As always, we appreciate your support and welcome your feedback.

**Prof. John Chai**  
Chairman, Business Environment Council Limited





In 2012, the Hong Kong Stock Exchange acknowledged the growing importance of ESG performance and reporting globally and published its Environmental, Social and Governance Reporting Guide (“the HKEx Guide”) urging HKEx listed companies to respond to the Guide. Although the Guide is not compulsory, the business community is rightly focused on what it means and how to respond. What’s more, the HKEx has indicated that it may raise the level of obligation of some recommended disclosures to “comply or explain” in the future. This BEC Handbook is intended to help companies understand which elements of the HKEx Guide to report based on what is ‘material’ to their business.

Determining materiality requires a deep understanding of how and where you operate your business, and forces management to think outside traditional financial considerations. At the Board level, every listed company needs to consider ESG issues that could significantly impact the bottom line if they were to play out in the market and how they may be relevant to long-term corporate strategy. This makes continuous reporting obligations meaningful over time and part of prudent risk management.

Many issuers in Hong Kong preparing to respond to the HKEx Guide are now asking themselves “what information should we report on?” With this Handbook, we set out to provide a reference point on that question. The Handbook provides a snapshot of what

select industries around the globe consider sufficiently important or “material” to include in their ESG Reports. It is our hope that this information will better equip companies to respond to the HKEx Guide and begin, or continue as the case may be, the process of assessing materiality and integrating ESG reporting into their businesses and organisations.

**Ms. Malini Thadani**  
Chair, BEC ESG Advisory Group



We congratulate Business Environment Council on the publication of this Handbook. Determining what is important for ESG reporting helps companies identify areas where they can improve.

The Exchange has noted the growing importance of ESG performance and reporting around the world. This trend will continue to impact how companies and their investors, here in Hong Kong and elsewhere, do business. Therefore, companies listed on the Exchange should keep abreast of these developments.

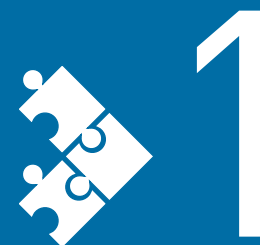
We hope the HKEx ESG Reporting Guide will help our listed companies begin ESG reporting and serve as an important step towards adopting international best practices. The Guide is not designed to be comprehensive so we encourage companies to consider other resources.

This BEC Handbook should prove useful for issuers in understanding how to focus their ESG disclosure efforts.

**Mr. David Graham**  
Chief Regulatory Officer and Head of Listing  
Hong Kong Exchanges and Clearing Limited



# Understanding Materiality for ESG Reporting



## Introduction

*On 1 January 2013, the Hong Kong Stock Exchange (“HKEx”) appended the Environmental, Social and Governance Reporting Guide (“the HKEx Guide”) to the HKEx Main Board Listing Rules.<sup>1</sup> The HKEx asks that listed companies respond to the HKEx Guide on a voluntary basis by disclosing the impacts of their activities on certain environmental and social issues.<sup>2</sup>*

<sup>1</sup> The HKEx ESG Guide forms Appendix 27 of the HKEx’s Main Board Listing Rules.

<sup>2</sup> “ESG” means “Environmental, Social and Governance.” Governance issues are addressed separately in Appendix 14 of the HKEx’s Main Board Listing Rules.

While HKEx has identified specific Key Performance Indicators (“KPIs”) in four category areas for disclosure, the Guide explicitly states that companies should report only on those KPIs that are relevant and material to their respective business. Thus, a key issue is how companies understand the concept of materiality.

This Handbook provides a reference point to HKEx listed companies confronting the task of understanding which KPIs are material to their business. It provides a peer by peer comparison of what companies in different industries and jurisdictions around the world deem sufficiently important or “material” to include in their ESG Reports. By identifying common elements for disclosure that are well established among international companies recognised as leaders in the field of sustainability reporting, this Handbook offers a starting point for new reporters beginning to assess materiality. Additional information on the current level and type of ESG disclosure of select Hong Kong companies is provided in *Chapter 3*.

### How to use this Handbook

ESG reporting is the process of gathering and disclosing information regarding the economic, social and environmental impacts of an organisation

and its activities. The process usually incorporates a number of steps to ensure, among other things, appropriate context, data relevance (or materiality), and completeness of the report, as outlined in Figure 1.

Because ESG disclosure frequency and content vary by industry sector and jurisdiction, this Handbook is comprised of a sector-specific review of global best practices. The Handbook identifies KPIs that companies within certain sectors operating in various jurisdictions around the world deem material for inclusion in their ESG Reports (see *Global Best Practice in Disclosure* section, p.6. The goal is to provide HKEx listed companies with useful background information to help them prepare a response in reference to the HKEx Guide and begin, or continue, the process of assessing materiality and integrating ESG reporting into their businesses and organisations.<sup>3</sup> It is merely a **reference point** however. The information a company ultimately chooses to report should be relevant, specific and tailored to the unique circumstances of each company, taking into account its scope of activities, stakeholders, priorities, values and overall business strategy.

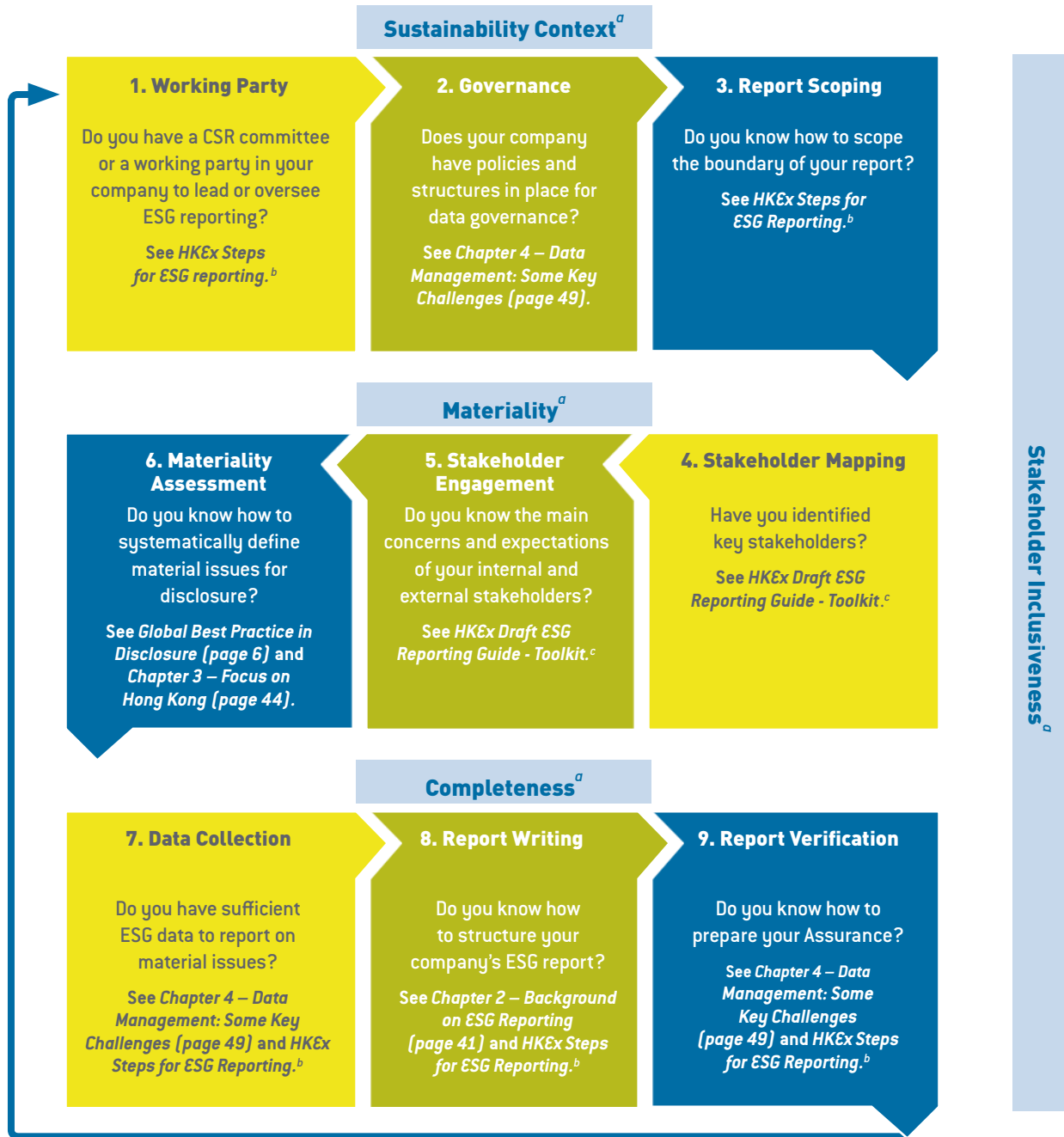
## Materiality and ESG Governance

*Assessing materiality is often viewed as a multi-step process that involves identifying and engaging both internal and external stakeholders. However, stakeholder engagement (particularly external stakeholder engagement) is not a prerequisite for assessing materiality. To the contrary, assessing materiality begins with a company’s executives and directors – those with the knowledge and responsibility to set priorities and gauge the relevance of issues. It is fundamental that ESG considerations are built into company strategy and operations and that related disclosure mechanisms receive support and oversight at the board level. Without sound governance of ESG considerations, there is risk that material environmental, social, or economic impacts receive only superficial consideration, rendering the disclosure process of limited value to investors and undermining continuous reporting obligations. Although engaging stakeholders may be valuable to fine tune responses to ESG considerations, as a practical matter, it may not be feasible at the outset and, as a result, is rarely the first step.*

<sup>3</sup> Additional information on ESG reporting, why it is important and recent trends is provided in Chapter 2.



**Figure 1: ESG Reporting Steps – Quick Reference Sheet**



<sup>a</sup> Based on GRI 4 'Defining material Aspects and Boundaries – process overview', as per page 90 of the G4 Reporting Principles and Standard Disclosures, available for download here: [www.globalreporting.org/reporting/g4/Pages/default.aspx](http://www.globalreporting.org/reporting/g4/Pages/default.aspx)

<sup>b</sup> HKEx guidance material available here: [www.hkex.com.hk/eng/rulesreg/listrules/listsptop/esg/Documents/reportingstep.pdf](http://www.hkex.com.hk/eng/rulesreg/listrules/listsptop/esg/Documents/reportingstep.pdf)

<sup>c</sup> HKEx guidance material available here: [www.hkex.com.hk/eng/rulesreg/listrules/listsptop/esg/Documents/toolkit.xls](http://www.hkex.com.hk/eng/rulesreg/listrules/listsptop/esg/Documents/toolkit.xls)

In conjunction with the release of the HKEx Guide, a number of other tools and handbooks have been published to help guide companies through the process. These are summarised in the *Further Information* chapter. This Handbook is limited to the question of materiality as it relates to the HKEx Guide.

The information and analysis in this Handbook is divided into the following eight industry sectors:

- Financial Services
- Properties & Construction
- Consumer Goods
- Industrial Goods
- Utilities
- Telecommunications
- Information Technology
- Conglomerates

The eight industry sectors were chosen based on their relative importance on the Main Listing Board of HKEx<sup>4</sup> and the high participation rates of representatives of these industries in ESG training related activities organised by HKEx.<sup>5</sup>

International companies that are leaders in sustainability reporting were identified for each industry sector on the basis of their (i) inclusion in either the Hang Seng Corporate Sustainability Index (“HSSUS”), Dow Jones Sustainability Index (“DJSI”), or the FTSE4Good Index<sup>6</sup> and (ii) their use of Global Reporting Initiative “GRI” reporting standards.<sup>7</sup> The most recent Sustainability or ESG Report of each company was reviewed to determine which of the HKEx Guide KPIs were included in their respective reports. A determination regarding whether the KPI is material for purposes of ESG reporting was made based on the rate of disclosure among the companies within the industry sector. In certain instances, the Handbook reflects the practical experience of the Working Group in order to ensure that material issues unique to the China market are identified. Further details on the methodology applied in this Handbook are provided in the *Appendix*. The results of this analysis are presented in the

*Global Best Practice in Disclosure* section of this chapter. KPIs reported by more than 75% of companies reviewed are identified as “High” and deemed material. KPIs that were reported by some, but not all companies (50 to 75%), are identified as “Medium” and materiality will depend on the particular circumstances of the individual company and should be reviewed on a regular basis as part of continuous reporting obligations. This Handbook also provides some context for the materiality determinations and discusses the reasons why certain KPIs may be material in particular industries.

The sector-specific best practice tables in the subsequent sections provide an international baseline that HKEx listed companies may find useful when reporting in reference to the HKEx Guide. For those who are familiar with ESG reporting and related topics, please proceed to the *Global Best Practice in Disclosure* section on page 6. Additional background on ESG reporting and its benefits and challenges is available on the following pages and in *Chapters 2, 3 and 4*.

### **The HKEx Guide: Background and Current Status**

In 2012, HKEx, recognising the increasing value placed on ESG information by investors and global trends in sustainability reporting, developed the current HKEx Guide after consultation with institutional investors, issuers, business associations, practitioners, non-governmental and non-profit organisations, individuals and unlisted companies.

HKEx recommends that listed companies respond to its Guide and begin ESG reporting in 2014, however, it does not yet *require* that listed companies report. HKEx has indicated that, subject to further consultation with stakeholders, it may raise the level of obligation of some recommended disclosures to “comply or explain” in 2015.<sup>8</sup> Should this occur as planned, listed companies will be required to comply with some elements of the Guide or explain why compliance is not possible. That said, several items are important to note.

<sup>4</sup> The eight industry sectors collectively represent over 80% of market capitalisation of the HKEx Main Board.

<sup>5</sup> Because the industry sectors are broadly drawn the results of the review of current best practice for each industry sector may not accurately reflect materiality results for certain niches within each industry sector.

<sup>6</sup> The Hang Seng Corporate Sustainability Index “HSSUS”, Dow Jones Sustainability Index “DJSI”, and the FTSE4Good Index are sustainability indices that are designed to provide

investors and asset managers with reliable and objective benchmarks regarding sustainability performance of large and mid cap listed companies. Constituents include Fortune 500 companies, amongst others.

<sup>7</sup> The Global Reporting Initiative is an independent, non-profit organization that develops and disseminates Sustainability Reporting Guidelines.

<sup>8</sup> See [www.hkex.com.hk/eng/rulesreg/listrules/listsptop/esg/training\\_2013.htm](http://www.hkex.com.hk/eng/rulesreg/listrules/listsptop/esg/training_2013.htm) [website visited on February 24, 2014].



*“The Exchange has noted the growing importance of ESG performance and reporting around the world. This trend will continue to impact how companies and their investors, here in Hong Kong and elsewhere, do business. Therefore, companies listed on the Exchange should keep abreast of these developments.”*

**David Graham, Chief Regulatory Officer and Head of Listing, Hong Kong Exchanges and Clearing Limited**

First, the HKEx Guide is an evolving document. HKEx has indicated that the HKEx Guide is still under review and, as a result, it is likely to be refined throughout 2014 and 2015 as HKEx receives and considers feedback from its constituents.

In addition, the HKEx Guide is limited in jurisdiction. It applies only to HKEx listed companies. Importantly, it does not supersede or replace other voluntary programmes in which listed companies may already participate, for exam-

ple, GRI or CDP. Nor does it supersede or replace any mandatory reporting programmes that companies, particularly multi-nationals, may be subject to in other jurisdictions.<sup>9</sup>

### How to Respond to the HKEx Guide

Notably, the HKEx Guide is limited in scope and not intended to be comprehensive. Rather, it is intended to provide a basic framework for companies to take the first step toward meaningful disclosure of quantitative ESG information through an assessment of risks and opportunities. HKEx, nevertheless, encourages companies to adopt a higher level of reporting to the extent possible based on international guidance and standards, such as the Global Reporting Initiative.<sup>10</sup>

The HKEx Guide is divided into four subject areas for reporting: Workplace Quality, Environmental Protection, Operating Practices and Community Involvement. Within each of these subject areas, the Guide identifies “Aspects” for reporting. The Guide encourages companies to provide a “general disclosure” on each Aspect, which may include relevant policies and narrative descriptions of the information requested. In addition, within each Aspect, the Guide further identifies KPIs that relate to the Aspect.

ESG subject area	Aspects
Workplace Quality	<ul style="list-style-type: none"> <li>Working conditions</li> <li>Health and Safety</li> <li>Development and Training</li> <li>Labour Standards</li> </ul>
Environmental Protection	<ul style="list-style-type: none"> <li>Emissions</li> <li>Use of Resources</li> <li>The Environment and Natural Resources</li> </ul>
Operating Practices	<ul style="list-style-type: none"> <li>Supply Chain Management</li> <li>Product Responsibility</li> <li>Anti-corruption</li> </ul>
Community Involvement	<ul style="list-style-type: none"> <li>Community Investment</li> </ul>

<sup>9</sup> As a practical matter, there will be some overlap between the HKEx Guide and other reporting regimes that may create opportunities for companies participating in multiple reporting programmes to develop synergies.

<sup>10</sup> A higher level of reporting may entail, among others, in-depth and on-going stakeholder engagement, additional data collection, implementation of processes and procedures to ensure quality and consistency of data and independent third party assurance of final ESG Reports.

A company reporting in reference to the HKEx Guide should provide a general disclosure statement for each Aspect and report quantitatively on those KPIs it has determined as material to its business. Determining what information is “material” or relevant to report is thus a key component to effective ESG reporting. Ultimately, each individual company needs to determine what is and is not material to report.

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*Material topics [are those] that have a direct or indirect impact on an organisation’s ability to create, preserve or erode economic, environmental and social value for itself, its stakeholders and society at large.*

**Global Reporting Initiative, Technical Protocol Applying the Report Content Principles, 2011**

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Although the HKEx Guide sets out a framework for reporting that includes 32 KPIs, a company need not report on KPIs that are not material to its business. The information a company chooses to report should be relevant, specific and tailored to the unique circumstances of each company, taking into account its activities, stakeholders, priorities, values and overall business strategy.

HKEx has developed several documents to help those that are new to sustainability reporting through the ESG reporting process, including “Steps for ESG Reporting,” and “HKEx draft ESG Reporting Guide – A Toolkit.”<sup>11</sup> These documents provide a useful framework and step-by-step guidance, advice and tips regarding preparing an ESG report. In addition, to facilitate voluntary compliance, HKEx has held and plans to hold additional seminars and workshops aimed at providing companies with specific training on how to use and respond to the HKEx Guide. Additional materials have also been made available online by HKEx, with training provided by BEC, amongst other specialists.<sup>12</sup> This Handbook provides an additional reference source to summarise what global leaders in sustainability reporting deem material for disclosure.



When using the above reference material, it is important to remember that the final ESG Report should be concise, relevant and easy to read and understand. It can be presented electronically on the web or published as a standalone report. To the extent possible, ESG Reports should be published at the same time as a company’s annual report (either in the same report or in a standalone format) and should use a reporting cycle consistent with that of the annual report. If that is not possible, an ESG Report should be published as soon as possible after the reporting period ends, and ideally within 3-4 months, so that the information remains relevant in the context of current financial results. See *Chapters 2, 3 and 4* for further information.

### **Global Best Practice in Disclosure**

ESG reporting has the potential to deliver value and competitive benefits, many of which are described in *Chapter 2*. In recognition of this fact and recent global trends, HKEx has taken a first step towards ESG regulation and issued its HKEx Guide. The question then becomes what information should a company report on in order to respond to the HKEx Guide?

### **Setting the Context**

Perhaps the most challenging task a company preparing to report faces is the initial and fundamental task of determining what information is sufficiently “material” or important to merit reporting. Evaluating information through the lens of “materiality” allows a company to prioritise what ESG information is relevant and useful to interested end-users and focus its resources on those areas. Appropriately assessing materiality is thus a key component of an ESG report.

<sup>11</sup> Links to these documents are provided in the *Further Information* section.

<sup>12</sup> ESG Training Webcasts (2014) are available here: [www.hkex.com.hk/eng/rulesreg/listrules/listsptop/esg/training2014.htm](http://www.hkex.com.hk/eng/rulesreg/listrules/listsptop/esg/training2014.htm)





The HKEx Guide asks companies to “identify subject areas, aspects and indicators that are relevant” and further explains:

*Not all ESG subject areas, aspects and KPIs. . . may be relevant to an issuer’s business. Also, some may be more important to an issuer’s business than others. . . . An issuer is encouraged to **prioritise ESG subject areas, aspects and KPIs that are material in the context of its corporate strategy**, which could be given prominence in the report. It is unnecessary to report on all subject areas, aspects and KPIs. An issuer is encouraged to identify and report on relevant ESG subject areas that may have material environmental and social impacts. Materiality can be addressed in strategic, operation and financial terms.*

**HKEx Main Board Listing Rules  
Appendix 27 Environmental, Social  
and Governance Reporting Guide**

When determining which issues are material to an organisation’s business, it is also instructive to consider the definition of “materiality” developed by GRI, which has created one of the leading sustainability reporting frameworks.

*The Global Reporting Initiative is an independent, non-profit organisation that develops and disseminates globally applicable Sustainability Reporting Guidelines.*

GRI defines “materiality” for purposes of ESG reporting as follows:

*The information in a report should cover topics and indicators that reflect the organisation’s **significant economic, environmental, and social impacts, or that would substantively influence the assessments and decisions of stakeholders.***

Notably, the definition of materiality provided by both HKEx and GRI is significantly broader than traditional measures of financial materiality. Unlike in financial reporting, where materiality is viewed as a threshold for influencing the economic decisions of investors, sustainability reporting is concerned with a wider range of impacts and stakeholders, including the consideration of “economic, environmental, and social impacts.”<sup>13</sup>

Setting the context for materiality assessment is essential. Materiality should be informed by a number of internal and external factors, including:

- Business strategy, goals and policies,
- Industry norms and standards; and
- Legal and regulatory obligations.

The following elements may also be part of the materiality assessment process:

- Stakeholder<sup>14</sup> concerns and
- Community and societal expectations.

HKEx reminds issuers that companies may engage stakeholders in order to help identify material issues and concerns and better understand their views.<sup>15</sup>

Ultimately however, it is the job of each company to determine what is and is not material to its business operation. The information a company chooses to report will be specific and tailored to the unique circumstances of each company, taking into account its activities, stakeholders, priorities, values and overall business strategy.

<sup>13</sup> See [www.globalreporting.org/reporting/G3andG3-1/guidelines-online/TechnicalProtocol/Pages/MaterialityInTheContextOfTheGRIReportingFramework.aspx](http://www.globalreporting.org/reporting/G3andG3-1/guidelines-online/TechnicalProtocol/Pages/MaterialityInTheContextOfTheGRIReportingFramework.aspx), (website visited on December 10, 2013).

<sup>14</sup> The HKEx Guide defines stakeholders as “parties that have interests in or are affected by the decisions and activities of an issue. They may include shareholders (including independent shareholders), business partners, employees, suppliers, sub-contractors, consumers, regulators and the public.”

<sup>15</sup> A company may engage stakeholders in a variety of ways, including, for example, through meetings, conferences, workshops, advisory committees, round-table discussions, focus groups, questionnaires, web-based forums and written consultations. An effective engagement strategy includes a description of a company’s stakeholders and its basis for identifying stakeholders, describe the methods with which the company sought stakeholder input and its responses to stakeholder concerns. Additional HKEx guidance material is available here: [www.hkex.com.hk/eng/rulesreg/listrules/listsptop/esg/Documents/reportingstep.pdf](http://www.hkex.com.hk/eng/rulesreg/listrules/listsptop/esg/Documents/reportingstep.pdf)

**Table 1: Overview of Global Best Practice in ESG Disclosure by Industry Sector**

HKEx Subject Areas, Aspects & KPIs	Overview of Global Best Practice ESG Disclosure by Industry Sector						
	Financial Services	Properties & Construction	Consumer Goods	Industrial Goods	Utilities	Tele-communications	Information Technology
<b>Area A</b>	<b>Workplace Quality</b>						
<b>Aspect A1</b>	<b>Working Conditions: General Disclosure Statement</b>						
<b>KPI A1.1</b>	High	High	High	High	High	High	High
<b>KPI A1.2</b>	High	High	High	High	High	High	Medium <sup>##</sup>
<b>Aspect A2</b>	<b>Health &amp; Safety: General Disclosure Statement</b>						
<b>KPI A2.1</b>	Medium	High	High	High	High	High	High
<b>KPI A2.2</b>	Medium	High	High	High	High	High	High
<b>KPI A2.3</b>	Medium	Medium	Medium	High	High	High	Medium
<b>Aspect A3</b>	<b>Development &amp; Training: General Disclosure Statement</b>						
<b>KPI A3.1</b>	High	Medium	High	Medium	Medium	High	High
<b>KPI A3.2</b>	High	High	High	High	High	High	Medium
<b>Aspect A4</b>	<b>Labour Standards: General Disclosure Statement</b>						
<b>KPI A4.1</b>	Medium	High	High	High	High	Medium	High
<b>KPI A4.2</b>	Medium	High	High	High	High	Medium	High
<b>Area B</b>	<b>Environmental Protection</b>						
<b>Aspect B1</b>	<b>Emissions: General Disclosure Statement</b>						
<b>KPI B1.1</b>	Medium	High	High	High	High	Medium	High
<b>KPI B1.2</b>	High	High	High	High	High	High	High
<b>KPI B1.3</b>	Low	Low	Medium <sup>##</sup>	High <sup>##</sup>	High <sup>##</sup>	Low	High <sup>##</sup>
<b>KPI B1.4</b>	Medium	High	High	High	High	Medium	High
<b>KPI B1.5</b>	High	High	High	High	High	High	High
<b>KPI B1.6</b>	Medium	Medium	Medium	Medium	Medium	Medium	Medium

**Table 1 provides an overview of best practice based on disclosure rates by industry sector.**

*KPIs that are identified as “High” are those that 75% or more of companies within the industry sector include in their ESG reports. These KPIs contain information deemed material based on high disclosure rates and, as a result, may be a high priority for reporting.*

# Level of materiality was determined with reference to full sustainability reports and annual reports.

## Level of materiality was determined with reference to full sustainability reports and/or annual reports, in addition to practical experience of some members of the Working Group.



HKEx Subject Areas, Aspects & KPIs	Overview of Global Best Practice ESG Disclosure by Industry Sector						
	Financial Services	Properties & Construction	Consumer Goods	Industrial Goods	Utilities	Tele-communications	Information Technology
<b>Aspect B2</b>	<b>Use of Resources: General Disclosure Statement</b>						
<i>KPI B2.1</i>	High	High	High	High	High	High	High
<i>KPI B2.2</i>	High	High	High	High	High	Medium	High
<i>KPI B2.3</i>	Medium	High	High	High	High	High	High
<i>KPI B2.4</i>	Low	Medium	High##	High##	High##	Low	Medium
<i>KPI B2.5</i>	Low	Medium	High	Medium	Low	Medium	High
<b>Aspect B3</b>	<b>The Environment &amp; Natural Resources: General Disclosure Statement</b>						
<i>KPI B3.1</i>	High	High	High	High	High	High	High
<i>Area C</i>	<i>Operating Practices</i>						
<b>Aspect C1</b>	<b>Supply Chain Management: General Disclosure Statement</b>						
<i>KPI C1.1</i>	Low#	Low#	Medium#	Medium#	Low#	Medium#	Medium#
<i>KPI C1.2</i>	Medium	High	High	High	High	Medium	Medium
<b>Aspect C2</b>	<b>Product Responsibility: General Disclosure Statement</b>						
<i>KPI C2.1</i>	Low#	High##	High##	High##	Low#	Medium##	Low#
<i>KPI C2.2</i>	High##	Medium##	High##	High##	High#	High##	Medium##
<i>KPI C2.3</i>	Medium##	Low#	Medium##	Low#	Low#	Medium##	Medium#
<i>KPI C2.4</i>	High##	High	High	High	High	High	High
<i>KPI C2.5</i>	Medium##	Medium	Medium##	Low	Medium	High##	High##
<b>Aspect C3</b>	<b>Anti-corruption: General Disclosure Statement</b>						
<i>KPI C3.1</i>	Medium	High	Medium	High	High	High	Medium
<i>KPI C3.2</i>	High	High	High	High	High	High	High
<i>Area D</i>	<i>Community Involvement</i>						
<b>Aspect D1</b>	<b>Community Investment: General Disclosure Statement</b>						
<i>KPI D1.1</i>	Medium	High	High	High	High	Medium	Medium
<i>KPI D1.2</i>	High	High	High	High	High	High	Medium

*KPIs that are identified as “Medium” are those that 50-75% or more of companies within the industry sector include in their ESG reports. These KPIs may or may not be material and the priority for reporting will depend on a company’s particular circumstances and its materiality assessment.*

*KPIs that are identified as “Low” are those that less than 50% of companies within the industry sector include in their ESG reports. These KPIs may be less important for the given sector, however, each company should nevertheless engage in a materiality assessment to determine the relevance of such a KPI with respect to its own operations.*

# Level of materiality was determined with reference to full sustainability reports and annual reports.

## Level of materiality was determined with reference to full sustainability reports and/or annual reports, in addition to practical experience of some members of the Working Group.



Image courtesy of MTR Corporation Limited

## Differences Across Industry Sectors

Materiality is conditioned by the specific industry sector in which it is analysed. As a general matter, ESG reporting and disclosure rates and content vary by industry.<sup>16</sup> This is consistent with the notion that different industries have substantial differences in terms of the type and magnitude of environmental and social impacts. In order to account for these differences, the analysis provided in this Handbook is divided by industry in accordance with The Hang Seng Industry Classification System (“HSICS”).

This Handbook provides a review of current global best practices for each industry sector and identifies those KPIs that companies have included in their ESG reports. This helps to provide global context and serves as a stepping stone for companies to explore what is most important for disclosure in their own geographic and commercial context.

Comprehensive materiality assessments should be conducted on a company specific basis to derive definitive recommendations and a comprehensive strategy for ESG disclosure.

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*Determining materiality requires a deep understanding of how and where you operate your business, and forces management to think outside traditional financial considerations. At the Board level, every listed company needs to consider ESG issues that could significantly impact the bottom line if they were to play out in the market and how they may be relevant to long-term corporate strategy. This makes continuous reporting obligations meaningful over time and part of prudent risk management.”*

**Malini Thadani, Chair, BEC ESG Advisory Group**

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Additional considerations regarding ESG reporting and its key challenges are referenced in *Chapters 3 and 4*. The remainder of this Chapter provides more detailed explanation and analysis of each industry sector, as summarised in Table 1.

<sup>16</sup> See “The Need for Sector-Specific Materiality and Sustainability Reporting Standards,” Robert G. Eccles, Harvard Business School, Michael P. Kruzus, Mike Kruzus Consulting, Jean Rogers, Sustainability Accounting Standards Board and George Serafeim, Harvard Business School.



## Financial Services



*The Financial Services sector includes banks, insurance companies, and other financial institutions, including securities and brokerage firms, investment and asset management firms and other providers of financial services. A total of fifteen companies considered global leaders in sustainability disclosure were assessed in connection with this Section.*



## Overview of Global Best Practice in ESG Disclosure

Subject Areas, Aspects & KPIs		Level of Materiality
<b>A</b>	<b>Workplace Quality</b>	
<b>A1</b>	<b>Working Conditions: General Disclosure Statement</b>	
<b>KPI A1.1</b>	Total workforce by employment type, age group and geographical region	High
<b>KPI A1.2</b>	Employee turnover rate by age group and geographical region	High
<b>A2</b>	<b>Health &amp; Safety: General Disclosure Statement</b>	
<b>KPI A2.1</b>	Number and rate of work-related fatalities	Medium
<b>KPI A2.2</b>	Lost days due to work injury	Medium
<b>KPI A2.3</b>	Description of occupational health and safety measures adopted, how they are implemented and monitored	Medium
<b>A3</b>	<b>Development &amp; Training: General Disclosure Statement</b>	
<b>KPI A3.1</b>	The percentage of employees trained by employee category (e.g. senior management, middle management)	High
<b>KPI A3.2</b>	The average training hours completed per employee by employee category (e.g. senior management, middle management)	High
<b>A4</b>	<b>Labour Standards: General Disclosure Statement</b>	
<b>KPI A4.1</b>	Description of measures to review employment practices to avoid child and forced labour	Medium
<b>KPI A4.2</b>	Description of steps taken to eliminate such practices when discovered	Medium
<b>B</b>	<b>Environmental Protection</b>	
<b>B1</b>	<b>Emissions: General Disclosure Statement</b>	
<b>KPI B1.1</b>	Types of emissions and respective emissions data	Medium
<b>KPI B1.2</b>	Greenhouse gas emissions in total (in tonnes) and where appropriate, intensity (e.g. per unit of production, per facility)	High
<b>KPI B1.3</b>	Total hazardous waste produced (in tonnes) and where appropriate, intensity (e.g. per unit of production volume, per facility)	Low
<b>KPI B1.4</b>	Total non-hazardous waste produced (in tonnes) and where appropriate, intensity (e.g. per unit of production volume, per facility)	Medium
<b>KPI B1.5</b>	Description of measures to mitigate emissions and results achieved	High
<b>KPI B1.6</b>	Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved	Medium
<b>B2</b>	<b>Use of Resources: General Disclosure Statement</b>	
<b>KPI B2.1</b>	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)	High
<b>KPI B2.2</b>	Water consumption in total and intensity (e.g. per unit of production volume, per facility)	High
<b>KPI B2.3</b>	Description of energy use efficiency initiatives and results achieved	Medium
<b>KPI B2.4</b>	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved	Low
<b>KPI B2.5</b>	Total packaging material used for finished products (in tonnes), and if applicable, with reference to per unit produced	Low
<b>B3</b>	<b>The Environment &amp; Natural Resources: General Disclosure Statement</b>	
<b>KPI B3.1</b>	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them	High



Subject Areas, Aspects & KPIs		Level of Materiality
<b>C</b>	<b>Operating Practices</b>	
<b>C1</b>	<b>Supply Chain Management: General Disclosure Statement</b>	
<b>KPI C1.1</b>	Number of suppliers by geographical region	Low <sup>#</sup>
<b>KPI C1.2</b>	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, how they are implemented and monitored	Medium
<b>C2</b>	<b>Product Responsibility: General Disclosure Statement</b>	
<b>KPI C2.1</b>	Percentage of total products sold or shipped subject to recalls for safety and health reasons	Low <sup>#</sup>
<b>KPI C2.2</b>	Number of products and services related complaints received and how they are dealt with	High <sup>##</sup>
<b>KPI C2.3</b>	Description of practices relating to observing and protecting intellectual rights	Medium <sup>##</sup>
<b>KPI C2.4</b>	Description of quality assurance process and recall procedures	High <sup>##</sup>
<b>KPI C2.5</b>	Description of consumer data protection and privacy policies, how they are implemented and monitored	Medium <sup>##</sup>
<b>C3</b>	<b>Anti-corruption: General Disclosure Statement</b>	
<b>KPI C3.1</b>	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	Medium
<b>KPI C3.2</b>	Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored	High
<b>D</b>	<b>Community Involvement</b>	
<b>D1</b>	<b>Community Investment: General Disclosure Statement</b>	
<b>KPI D1.1</b>	Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport)	Medium
<b>KPI D1.2</b>	Resources contributed (e.g. money or time) to the focus areas	High

*This Overview of Global Best Practice in ESG Disclosure outlines whether a KPI has a **High**, **Medium** or **Low** rate of disclosure among the companies included in this study. **High** indicates that the KPI should be considered material for purposes of reporting. A **Medium** designation means that the KPI may be material for some companies, but not necessarily for all companies and that the priority of reporting will depend on a company's individual circumstances and its materiality determination. A **Low** designation indicates that the KPI is not deemed to be of material value for purposes of reporting by a majority of companies in this sector.*

*Comprehensive materiality assessments should be conducted on a company specific basis to derive definitive recommendations and a comprehensive strategy for ESG disclosure.*

## Explanatory Notes

### Work Place Quality (A)

#### **Working Conditions (A1), Health & Safety (A2), Development & Training (A3), Labour Standards (A4)**

The Financial Services sector relies primarily on human capital and financial institutions typically have

a highly educated and mobile workforce.

Accordingly, attracting and retaining talent is a top priority. Understanding and improving Aspects such as Working Conditions and Development & Training that relate to Workplace Quality are a central concern and should be included in an ESG report.

<sup>#</sup> Level of materiality was determined with reference to full sustainability reports and annual reports.

<sup>##</sup> Level of materiality was determined with reference to full sustainability reports and/or annual reports, in addition to practical experience of some members of the Working Group.



Given the people-based nature of the financial services industry, the Aspects of Health & Safety and Labour Standards may be of relevance for reporting albeit at a lower priority. Issues to consider when determining the relative priority of these Aspects include the applicability of laws and regulations related to health, safety and labour standards.

**Environmental Protection (B)**  
*Emissions (B1), Use of Resources (B2),  
The Environment & Natural Resources (B3)*

Financial institutions may have limited impacts on the environment and natural resources from an operations standpoint, but more so in their capacity as lenders and investors. They should therefore, at a minimum, include in an ESG report a qualitative assessment of those impacts and their efforts to manage them.

The importance of the Emissions and Use of Resources Aspects for reporting may depend in part on several factors. When determining the priority of environmental protection and resource use concerns, issues to consider include, the number of offices and/or real estate holdings, the size of the workforce and extent of business travel – all of which collectively require economic inputs and may benefit from resource efficiency, the significance of each (or ‘materiality’) depending to a large extent on the size of the institution.

For example, the relative importance of the environmental footprint of a large commercial bank with international operations, extensive business travel, and a large property portfolio of offices and bank branches to manage would likely be high enough to merit detailed reporting and subsequent management. In contrast, environmental protection concerns may not be as significant a priority for a smaller financial institution with few employees and a single rented office space.

**Operating Practices (C)**  
*Supply Chain Management (C1), Product  
Responsibility (C2), Anti-Corruption (C3)*

The importance of reporting on issues related to Supply Chain Management, including practices relating to vendors and purchasing, will depend

on the size and activities of a particular financial institution.

The Product Responsibility Aspect includes KPIs relating to product and service-related complaints, consumer data protection and privacy policies. The relative importance of these issues may depend upon the character and activities of a particular financial institution and whether, for example, the institution is providing services to and/or collecting personal information from customers. When determining whether to report on KPIs within the Product Responsibility Aspect, issues to consider include character of services provided, prevalence of customer-facing activities and amount and type of data collection.

The Financial Services sector is an important industry that exerts wide influence as providers of financial services to customers, businesses and governments. Financial services institutions are often highly regulated and directly in the public eye, and manage reputational risk by implementing appropriate policies and procedures and educating employees on legal compliance, accountability and anti-corruption issues. The relative importance of the Anti-Corruption Aspect is therefore high and KPIs associated with anti-corruption activities should be reported.

**Community Involvement (D)**  
*Community Investment (D1)*

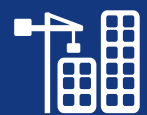
Because financial service providers operate in the public eye, the relative importance of Community Investment initiatives that directly affect their reputation and public perception is high, making this a High Aspect that should be included in an ESG report.







## Properties & Construction



*The Properties & Construction sector includes companies involved in real estate development and investment, including developers, construction and engineering contractors, manufacturers of construction materials and REITs. A total of eleven companies considered global leaders in sustainability disclosure were assessed in connection with this Section .*



## Overview of Global Best Practice in ESG Disclosure

Subject Areas, Aspects & KPIs		Level of Materiality
<b>A</b>	<b>Workplace Quality</b>	
<b>A1</b>	<b>Working Conditions: General Disclosure Statement</b>	
<b>KPI A1.1</b>	Total workforce by employment type, age group and geographical region	High
<b>KPI A1.2</b>	Employee turnover rate by age group and geographical region	High
<b>A2</b>	<b>Health &amp; Safety: General Disclosure Statement</b>	
<b>KPI A2.1</b>	Number and rate of work-related fatalities	High
<b>KPI A2.2</b>	Lost days due to work injury	High
<b>KPI A2.3</b>	Description of occupational health and safety measures adopted, how they are implemented and monitored	Medium
<b>A3</b>	<b>Development &amp; Training: General Disclosure Statement</b>	
<b>KPI A3.1</b>	The percentage of employees trained by employee category (e.g. senior management, middle management)	Medium
<b>KPI A3.2</b>	The average training hours completed per employee by employee category (e.g. senior management, middle management)	High
<b>A4</b>	<b>Labour Standards: General Disclosure Statement</b>	
<b>KPI A4.1</b>	Description of measures to review employment practices to avoid child and forced labour	High
<b>KPI A4.2</b>	Description of steps taken to eliminate such practices when discovered	High
<b>B</b>	<b>Environmental Protection</b>	
<b>B1</b>	<b>Emissions: General Disclosure Statement</b>	
<b>KPI B1.1</b>	Types of emissions and respective emissions data	High
<b>KPI B1.2</b>	Greenhouse gas emissions in total (in tonnes) and where appropriate, intensity (e.g. per unit of production, per facility)	High
<b>KPI B1.3</b>	Total hazardous waste produced (in tonnes) and where appropriate, intensity (e.g. per unit of production volume, per facility)	Low
<b>KPI B1.4</b>	Total non-hazardous waste produced (in tonnes) and where appropriate, intensity (e.g. per unit of production volume, per facility)	High
<b>KPI B1.5</b>	Description of measures to mitigate emissions and results achieved	High
<b>KPI B1.6</b>	Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved	Medium
<b>B2</b>	<b>Use of Resources: General Disclosure Statement</b>	
<b>KPI B2.1</b>	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)	High
<b>KPI B2.2</b>	Water consumption in total and intensity (e.g. per unit of production volume, per facility)	High
<b>KPI B2.3</b>	Description of energy use efficiency initiatives and results achieved	High
<b>KPI B2.4</b>	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved	Medium
<b>KPI B2.5</b>	Total packaging material used for finished products (in tonnes), and if applicable, with reference to per unit produced	Medium
<b>B3</b>	<b>The Environment &amp; Natural Resources: General Disclosure Statement</b>	
<b>KPI B3.1</b>	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them	High



Subject Areas, Aspects & KPIs		Level of Materiality
<b>C</b>	<b>Operating Practices</b>	
<b>C1</b>	<b>Supply Chain Management: General Disclosure Statement</b>	
<b>KPI C1.1</b>	Number of suppliers by geographical region	Low <sup>#</sup>
<b>KPI C1.2</b>	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, how they are implemented and monitored	High
<b>C2</b>	<b>Product Responsibility: General Disclosure Statement</b>	
<b>KPI C2.1</b>	Percentage of total products sold or shipped subject to recalls for safety and health reasons	High <sup>##</sup>
<b>KPI C2.2</b>	Number of products and services related complaints received and how they are dealt with	Medium <sup>##</sup>
<b>KPI C2.3</b>	Description of practices relating to observing and protecting intellectual rights	Low <sup>#</sup>
<b>KPI C2.4</b>	Description of quality assurance process and recall procedures	High
<b>KPI C2.5</b>	Description of consumer data protection and privacy policies, how they are implemented and monitored	Medium
<b>C3</b>	<b>Anti-corruption: General Disclosure Statement</b>	
<b>KPI C3.1</b>	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	High
<b>KPI C3.2</b>	Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored	High
<b>D</b>	<b>Community Involvement</b>	
<b>D1</b>	<b>Community Investment: General Disclosure Statement</b>	
<b>KPI D1.1</b>	Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport)	High
<b>KPI D1.2</b>	Resources contributed (e.g. money or time) to the focus areas	High

*This Overview of Global Best Practice in ESG Disclosure outlines whether a KPI has a **High, Medium or Low** rate of disclosure among the companies included in this study. **High** indicates that the KPI should be considered material for purposes of reporting. A **Medium** designation means that the KPI may be material for some companies, but not necessarily for all companies and that the priority of reporting will depend on a company’s individual circumstances and its materiality determination. A **Low** designation indicates that the KPI is not deemed to be of material value for purposes of reporting by a majority of companies in this sector.*

*Comprehensive materiality assessments should be conducted on a company specific basis to derive definitive recommendations and a comprehensive strategy for ESG disclosure.*

## Explanatory Notes

### Work Place Quality (A)

**Working Conditions (A1), Health & Safety (A2), Development & Training (A3), Labour Standards (A4)**

The bulk of companies within this sector are involved in new construction, demolition,

redevelopment or facilities management and rely on a labour force that includes both highly skilled workers and low-skilled labourers. Given the hazardous nature of many construction activities, the industry experiences higher than average worker injury rates. Construction companies and, to a certain extent, real estate developers and

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<sup>##</sup> Level of materiality was determined with reference to full sustainability reports and/or annual reports, in addition to practical experience of some members of the Working Group.



owners, are therefore required to comply with a host of health, safety and labour laws, which vary by jurisdiction. Compliance with these laws and regulations and maintaining a safe work environment is fundamental to a company's ability to carry out its business. Furthermore, successful companies need to provide sufficient development and training programmes not only to retain their highly skilled employees but also to ensure that these workers are up-to-date on changing industry standards and new techniques and materials. As such, understanding and improving Aspects related to Work Place Quality are a central concern and should be included in an ESG report.

### **Environmental Protection (B)**

#### ***Emissions (B1), Use of Resources (B2), The Environment & Natural Resources (B3)***

The creation and maintenance of the built environment has significant and direct environmental impacts. Construction and demolition activities use large amounts of energy, water and other raw materials, generate greenhouse gas emissions, and produce large quantities of construction debris and other wastes. Moreover, companies within this sector have significant capacity to improve environmental performance of buildings and infrastructure and reduce environmental impacts. They may either have direct control over (as owners, asset managers or developers) or be uniquely positioned (as contractors, architects and engineers) to influence development projects, including the types of buildings designed and constructed and materials and techniques used.

Buildings are major consumers of energy, water and other natural resources. Having a clear understanding of a building's environmental footprint allows owners and operators to assess building performance and identify opportunities for improving environmental performance and generating cost-savings. The environmental impacts of both construction activities and constructed buildings in combination with the ability that companies within the sector have to reduce such impacts make the KPIs of this Aspect material for this sector irrespective which part of the value chain a company represents.

### **Operating Practices (C)**

#### ***Supply Chain Management (C1), Product Responsibility (C2), Anti-Corruption (C3)***

Companies involved in development and construction activities may also have considerable capacity to shape environmental and social impacts through supply chain decisions, including the selection of building materials, suppliers and construction waste management service providers. The relative importance of reporting operating practices related to Supply Chain Management is therefore comparatively high.

The Product Responsibility Aspect includes KPIs relating to the provision of products and services, including quality assurance, complaints, and recall policies. The relative importance of these issues may depend upon the character and activities of a particular company within the Properties & Construction sector. A real estate developer or contractor is responsible for delivering a safe and stable building, hence product quality and how to deal with complaints is of very high importance. For a company that supplies or manufactures construction materials, adherence to very high product standards is of equal importance.

Operating practices related to corruption also merit reporting. Given the highly political nature of many large-scale development projects, the sector is susceptible to corrupt practices, including bribery and fraud. Anti-corruption initiatives are therefore deemed material and have a high priority for reporting.

### **Community Involvement (D)**

#### ***Community Investment (D1)***

Many companies within the property and construction sector have significant impacts on local economies and communities. Companies within the sector may not only help build the physical fabric of communities, they may generate jobs, training and economic stimulus for communities. Yet development may also be responsible for displacing people and neighbourhoods. For these reasons, the relative importance of Community Investment initiatives is high and essential for inclusion in an ESG report.



## Consumer Goods



*The Consumer Goods sector includes providers of personal and household goods, including textiles, clothing and personal care products, healthcare products, food and beverage products, agricultural products and automobiles and components. A total of seventeen companies considered global leaders in sustainability disclosure were assessed in connection with this Section.*



## Overview of Global Best Practice in ESG Disclosure

Subject Areas, Aspects & KPIs		Level of Materiality
<b>A</b>	<b>Workplace Quality</b>	
<b>A1</b>	<b>Working Conditions: General Disclosure Statement</b>	
<b>KPI A1.1</b>	Total workforce by employment type, age group and geographical region	High
<b>KPI A1.2</b>	Employee turnover rate by age group and geographical region	High
<b>A2</b>	<b>Health &amp; Safety: General Disclosure Statement</b>	
<b>KPI A2.1</b>	Number and rate of work-related fatalities	High
<b>KPI A2.2</b>	Lost days due to work injury	High
<b>KPI A2.3</b>	Description of occupational health and safety measures adopted, how they are implemented and monitored	Medium
<b>A3</b>	<b>Development &amp; Training: General Disclosure Statement</b>	
<b>KPI A3.1</b>	The percentage of employees trained by employee category (e.g. senior management, middle management)	High
<b>KPI A3.2</b>	The average training hours completed per employee by employee category (e.g. senior management, middle management)	High
<b>A4</b>	<b>Labour Standards: General Disclosure Statement</b>	
<b>KPI A4.1</b>	Description of measures to review employment practices to avoid child and forced labour	High
<b>KPI A4.2</b>	Description of steps taken to eliminate such practices when discovered	High
<b>B</b>	<b>Environmental Protection</b>	
<b>B1</b>	<b>Emissions: General Disclosure Statement</b>	
<b>KPI B1.1</b>	Types of emissions and respective emissions data	High
<b>KPI B1.2</b>	Greenhouse gas emissions in total (in tonnes) and where appropriate, intensity (e.g. per unit of production, per facility)	High
<b>KPI B1.3</b>	Total hazardous waste produced (in tonnes) and where appropriate, intensity (e.g. per unit of production volume, per facility)	Medium <sup>##</sup>
<b>KPI B1.4</b>	Total non-hazardous waste produced (in tonnes) and where appropriate, intensity (e.g. per unit of production volume, per facility)	High
<b>KPI B1.5</b>	Description of measures to mitigate emissions and results achieved	High
<b>KPI B1.6</b>	Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved	Medium
<b>B2</b>	<b>Use of Resources: General Disclosure Statement</b>	
<b>KPI B2.1</b>	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)	High
<b>KPI B2.2</b>	Water consumption in total and intensity (e.g. per unit of production volume, per facility)	High
<b>KPI B2.3</b>	Description of energy use efficiency initiatives and results achieved	High
<b>KPI B2.4</b>	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved	High <sup>##</sup>
<b>KPI B2.5</b>	Total packaging material used for finished products (in tonnes), and if applicable, with reference to per unit produced	High
<b>B3</b>	<b>The Environment &amp; Natural Resources: General Disclosure Statement</b>	
<b>KPI B3.1</b>	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them	High

# Level of materiality was determined with reference to full sustainability reports and annual reports.

## Level of materiality was determined with reference to full sustainability reports and/or annual reports, in addition to practical experience of some members of the Working Group.



Subject Areas, Aspects & KPIs		Level of Materiality
<b>C</b>	<b>Operating Practices</b>	
<b>C1</b>	<b>Supply Chain Management: General Disclosure Statement</b>	
<b>KPI C1.1</b>	Number of suppliers by geographical region	Medium <sup>#</sup>
<b>KPI C1.2</b>	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, how they are implemented and monitored	High
<b>C2</b>	<b>Product Responsibility: General Disclosure Statement</b>	
<b>KPI C2.1</b>	Percentage of total products sold or shipped subject to recalls for safety and health reasons	High <sup>##</sup>
<b>KPI C2.2</b>	Number of products and services related complaints received and how they are dealt with	High <sup>##</sup>
<b>KPI C2.3</b>	Description of practices relating to observing and protecting intellectual rights	Medium <sup>##</sup>
<b>KPI C2.4</b>	Description of quality assurance process and recall procedures	High
<b>KPI C2.5</b>	Description of consumer data protection and privacy policies, how they are implemented and monitored	Medium <sup>##</sup>
<b>C3</b>	<b>Anti-corruption: General Disclosure Statement</b>	
<b>KPI C3.1</b>	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	Medium
<b>KPI C3.2</b>	Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored	High
<b>D</b>	<b>Community Involvement</b>	
<b>D1</b>	<b>Community Investment: General Disclosure Statement</b>	
<b>KPI D1.1</b>	Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport)	High
<b>KPI D1.2</b>	Resources contributed (e.g. money or time) to the focus areas	High

*Overview of Global Best Practice in ESG Disclosure whether a KPI has a High, Medium or Low rate of disclosure among the companies included in this study. High indicates that the KPI should be considered material for purposes of reporting. A Medium designation means that the KPI may be material for some companies, but not necessarily for all companies and that the priority of reporting will depend on a company's individual circumstances and its materiality determination. A Low designation indicates that the KPI is not deemed to be of material value for purposes of reporting by a majority of companies in this sector.*

*Comprehensive materiality assessments should be conducted on a company specific basis to derive definitive recommendations and a comprehensive strategy for ESG disclosure.*

## Explanatory Notes

### Work Place Quality (A)

*Working Conditions (A1), Health & Safety (A2), Development & Training (A3), Labour Standards (A4)*

As manufacturers and producers of consumer products, organisations within the Consumer

Goods sector rely heavily on skilled and unskilled labour. The ability of a company to retain and develop its labour force is essential to sustaining its underlying business model. Manufacturers that operate in a global environment are also subject to an array of different labour and employment-related laws, regulations and standards.

<sup>#</sup> Level of materiality was determined with reference to full sustainability reports and annual reports.

<sup>##</sup> Level of materiality was determined with reference to full sustainability reports and/or annual reports, in addition to practical experience of some members of the Working Group.



Moreover, increasingly, the labour and employment practices of large companies receive heightened scrutiny from end-users and the public. As such, understanding and improving Aspects related to Work Place Quality, including Working Conditions, Health & Safety, Development & Training and Labour Standards are a central concern and should be included in an ESG report.

### **Environmental Protection (B)**

*Emissions (B1), Use of Resources (B2),  
The Environment & Natural Resources (B3)*

Providers of consumer goods may have significant impacts on the environment and natural resources from an operations standpoint, given their manufacturing and distribution activities. Companies with extensive supply chains will also have the ability to exert influence over their suppliers. Therefore, the relative importance of Environmental Protection Aspects, including Emissions, Use of Resources (e.g. water) and the Environment & Natural Resources (e.g. loss of biodiversity) is high. Accordingly, companies in this sector should include in an ESG report a qualitative and quantitative assessment of those impacts and their efforts to manage them.

### **Operating Practices (C)**

*Supply Chain Management (C1),  
Product Responsibility (C2), Anti-Corruption (C3)*

Supply chain management is of critical importance in the consumer goods industry. Interruptions in supply can take a serious toll on production and inventory, directly hitting the bottom line. And the practices and behaviour of suppliers have the potential to directly affect a company's reputation. Consumer goods companies should thus mitigate risks and take advantage of opportunities to improve efficiencies and performance. Moreover, large providers of consumer goods are uniquely positioned to influence the behaviour and performance of their suppliers, which may have significant social and environmental impacts. Supply Chain Management is material and is a high priority for inclusion in an ESG report.

The Product Responsibility Aspect includes KPIs relating to product and service-related

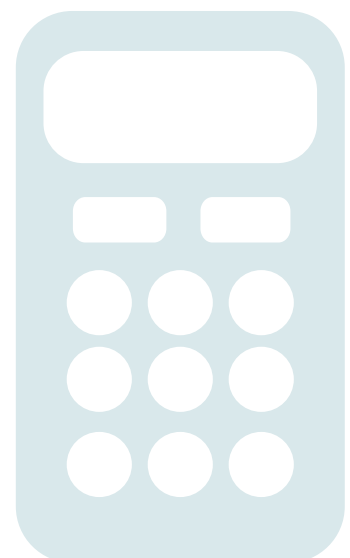
complaints and quality assurance and recall processes and procedures. Although sensitive in nature, this type of information is of significant value to consumer goods providers and should be a high priority for ESG reporting.

Legal actions related to corruption and preventative measures such as whistle-blowing policies are generally not perceived to be a high priority for reporting within the Consumer Goods sector. Notwithstanding, however, the relative importance of the Anti-Corruption Aspect may be high for providers of consumer goods that operate in a more heavily regulated niche industry or that operate in the public eye and are subject to reputational risks.

### **Community Involvement (D)**

*Community Investment (D1)*

Because the purchaser or end-user of consumer products is often the public, the relative importance of Community Investment initiatives that directly affect the reputation and public perception of consumer goods providers is high, making this an important Aspect that should be included in an ESG report.







## Industrial Goods



*The Industrial Goods sector includes providers of airfreight & logistics services, manufacturers of industrial components and equipment, heavy industrial machinery, commercial vehicles and trucks and “new” energy materials, such as solar energy equipment and storage devices. A total of eight companies considered global leaders in sustainability disclosure were assessed in connection with this Section.*



## Overview of Global Best Practice in ESG Disclosure

Subject Areas, Aspects & KPIs		Level of Materiality
<b>A</b>	<b>Workplace Quality</b>	
<b>A1</b>	<b>Working Conditions: General Disclosure Statement</b>	
<b>KPI A1.1</b>	Total workforce by employment type, age group and geographical region	High
<b>KPI A1.2</b>	Employee turnover rate by age group and geographical region	High
<b>A2</b>	<b>Health &amp; Safety: General Disclosure Statement</b>	
<b>KPI A2.1</b>	Number and rate of work-related fatalities	High
<b>KPI A2.2</b>	Lost days due to work injury	High
<b>KPI A2.3</b>	Description of occupational health and safety measures adopted, how they are implemented and monitored	High
<b>A3</b>	<b>Development &amp; Training: General Disclosure Statement</b>	
<b>KPI A3.1</b>	The percentage of employees trained by employee category (e.g. senior management, middle management)	Medium
<b>KPI A3.2</b>	The average training hours completed per employee by employee category (e.g. senior management, middle management)	High
<b>A4</b>	<b>Labour Standards: General Disclosure Statement</b>	
<b>KPI A4.1</b>	Description of measures to review employment practices to avoid child and forced labour	High
<b>KPI A4.2</b>	Description of steps taken to eliminate such practices when discovered	High
<b>B</b>	<b>Environmental Protection</b>	
<b>B1</b>	<b>Emissions: General Disclosure Statement</b>	
<b>KPI B1.1</b>	Types of emissions and respective emissions data	High
<b>KPI B1.2</b>	Greenhouse gas emissions in total (in tonnes) and where appropriate, intensity (e.g. per unit of production, per facility)	High
<b>KPI B1.3</b>	Total hazardous waste produced (in tonnes) and where appropriate, intensity (e.g. per unit of production volume, per facility)	High <sup>##</sup>
<b>KPI B1.4</b>	Total non-hazardous waste produced (in tonnes) and where appropriate, intensity (e.g. per unit of production volume, per facility)	High
<b>KPI B1.5</b>	Description of measures to mitigate emissions and results achieved	High
<b>KPI B1.6</b>	Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved	Medium
<b>B2</b>	<b>Use of Resources: General Disclosure Statement</b>	
<b>KPI B2.1</b>	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)	High
<b>KPI B2.2</b>	Water consumption in total and intensity (e.g. per unit of production volume, per facility)	High
<b>KPI B2.3</b>	Description of energy use efficiency initiatives and results achieved	High
<b>KPI B2.4</b>	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved	High <sup>##</sup>
<b>KPI B2.5</b>	Total packaging material used for finished products (in tonnes), and if applicable, with reference to per unit produced	Medium
<b>B3</b>	<b>The Environment &amp; Natural Resources: General Disclosure Statement</b>	
<b>KPI B3.1</b>	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them	High

# Level of materiality was determined with reference to full sustainability reports and annual reports.

## Level of materiality was determined with reference to full sustainability reports and/or annual reports, in addition to practical experience of some members of the Working Group.



Subject Areas, Aspects & KPIs		Level of Materiality
<b>C</b>	<b>Operating Practices</b>	
<b>C1</b>	<b>Supply Chain Management: General Disclosure Statement</b>	
<b>KPI C1.1</b>	Number of suppliers by geographical region	Medium <sup>#</sup>
<b>KPI C1.2</b>	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, how they are implemented and monitored	High
<b>C2</b>	<b>Product Responsibility: General Disclosure Statement</b>	
<b>KPI C2.1</b>	Percentage of total products sold or shipped subject to recalls for safety and health reasons	High <sup>#</sup>
<b>KPI C2.2</b>	Number of products and services related complaints received and how they are dealt with	High <sup>#</sup>
<b>KPI C2.3</b>	Description of practices relating to observing and protecting intellectual rights	Low <sup>#</sup>
<b>KPI C2.4</b>	Description of quality assurance process and recall procedures	High
<b>KPI C2.5</b>	Description of consumer data protection and privacy policies, how they are implemented and monitored	Low
<b>C3</b>	<b>Anti-corruption: General Disclosure Statement</b>	
<b>KPI C3.1</b>	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	High
<b>KPI C3.2</b>	Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored	High
<b>D</b>	<b>Community Involvement</b>	
<b>D1</b>	<b>Community Investment: General Disclosure Statement</b>	
<b>KPI D1.1</b>	Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport)	High
<b>KPI D1.2</b>	Resources contributed (e.g. money or time) to the focus areas	High

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*Comprehensive materiality assessments should be conducted on a company specific basis to derive definitive recommendations and a comprehensive strategy for ESG disclosure.*

## Explanatory Notes

### Work Place Quality (A)

#### Working Conditions (A1), Health & Safety (A2), Development & Training (A3), Labour Standards (A4)

As manufacturers and producers of industrial products, organisations within the Industrial Goods sector

rely heavily on skilled and unskilled labour. Workers in heavy manufacturing industries may also be exposed to hazardous conditions and compliance with applicable occupational health, safety and labour laws and ensuring worker safety is critical to the ability of a company to retain and develop its labour force. Manufacturers that operate in a

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global environment are also subject to an array of different labour and employment-related laws, regulations and standards. As such, understanding and improving Aspects related to Work Place Quality, including Working Conditions, Health & Safety, Development & Training and Labour Standards are a central concern in this sector and should be included in an ESG report.

### **Environmental Protection (B)**

#### ***Emissions (B1), Use of Resources (B2) and the Environment & Natural Resources (B3)***

Manufacturers of industrial goods generally have significant impacts on the environment and natural resources. Manufacturing involves, among other processes, extraction of natural resources, energy consumption and waste generation, including emission of greenhouse gases. Efforts to manage the Aspects related to Environmental Protection are critical and reporting on environmental impacts is a high priority across the sector.

### **Operating Practices (C)**

#### ***Supply Chain Management (C1), Product Responsibility (C2), Anti-Corruption (C3)***

Many industrial manufacturers rely on a complex chain of suppliers and supply chain management is increasingly important for companies that operate in a global environment due to potential exposure to environmental or labour-related risks from suppliers. Large manufacturers can manage supply chain risks by screening and educating suppliers on sustainability issues. Understanding and improving Aspects related to Supply Chain Management are a material concern and should be included in an ESG report.

Certain KPIs within the Product Responsibility Aspect are also deemed material for reporting by industrial goods manufacturers. As providers of industrial products, manufacturers focus on their customers, whether they are end-users or downstream manufacturers. Ensuring product safety and quality is key. KPIs, such as product and service related complaints and quality assurance procedures, are therefore essential and considered material for purposes of reporting.

Industrial manufacturers manage reputational risks and reassure stakeholders by implementing appropriate policies and procedures and educating employees on legal compliance, accountability and anti-corruption issues. As with most sectors, the relative importance of the Anti-Corruption Aspect is high and KPIs associated with anti-corruption activities should be reported.

### **Community Involvement (D)**

#### ***Community Investment (D1)***

Companies within this sector can have significant impacts on local economies and communities. Manufacturers provide jobs and stimulate local economies. The relative importance of Community Investment initiatives that directly affect the reputation and public perception of industrial manufacturers is high, making this an important Aspect that should be included in an ESG report.





## Utilities

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*The Utilities sector includes companies that (i) generate, transmit and/or distribute electricity or alternative or renewable energy, (ii) distribute gas, and (iii) provide water, including operators of water treatment facilities. A total of nine companies considered global leaders in sustainability disclosure were assessed in connection with this Section.*

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## Overview of Global Best Practice in ESG Disclosure

Subject Areas, Aspects & KPIs		Level of Materiality
<b>A</b>	<b>Workplace Quality</b>	
<b>A1</b>	<b>Working Conditions: General Disclosure Statement</b>	
<b>KPI A1.1</b>	Total workforce by employment type, age group and geographical region	High
<b>KPI A1.2</b>	Employee turnover rate by age group and geographical region	High
<b>A2</b>	<b>Health &amp; Safety: General Disclosure Statement</b>	
<b>KPI A2.1</b>	Number and rate of work-related fatalities	High
<b>KPI A2.2</b>	Lost days due to work injury	High
<b>KPI A2.3</b>	Description of occupational health and safety measures adopted, how they are implemented and monitored	High
<b>A3</b>	<b>Development &amp; Training: General Disclosure Statement</b>	
<b>KPI A3.1</b>	The percentage of employees trained by employee category (e.g. senior management, middle management)	Medium
<b>KPI A3.2</b>	The average training hours completed per employee by employee category (e.g. senior management, middle management)	High
<b>A4</b>	<b>Labour Standards: General Disclosure Statement</b>	
<b>KPI A4.1</b>	Description of measures to review employment practices to avoid child and forced labour	High
<b>KPI A4.2</b>	Description of steps taken to eliminate such practices when discovered	High
<b>B</b>	<b>Environmental Protection</b>	
<b>B1</b>	<b>Emissions: General Disclosure Statement</b>	
<b>KPI B1.1</b>	Types of emissions and respective emissions data	High
<b>KPI B1.2</b>	Greenhouse gas emissions in total (in tonnes) and where appropriate, intensity (e.g. per unit of production, per facility)	High
<b>KPI B1.3</b>	Total hazardous waste produced (in tonnes) and where appropriate, intensity (e.g. per unit of production volume, per facility)	High <sup>##</sup>
<b>KPI B1.4</b>	Total non-hazardous waste produced (in tonnes) and where appropriate, intensity (e.g. per unit of production volume, per facility)	High
<b>KPI B1.5</b>	Description of measures to mitigate emissions and results achieved	High
<b>KPI B1.6</b>	Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved	Medium
<b>B2</b>	<b>Use of Resources: General Disclosure Statement</b>	
<b>KPI B2.1</b>	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)	High
<b>KPI B2.2</b>	Water consumption in total and intensity (e.g. per unit of production volume, per facility)	High
<b>KPI B2.3</b>	Description of energy use efficiency initiatives and results achieved	High
<b>KPI B2.4</b>	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved	High <sup>##</sup>
<b>KPI B2.5</b>	Total packaging material used for finished products (in tonnes), and if applicable, with reference to per unit produced	Low
<b>B3</b>	<b>The Environment &amp; Natural Resources: General Disclosure Statement</b>	
<b>KPI B3.1</b>	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them	High

# Level of materiality was determined with reference to full sustainability reports and annual reports.

## Level of materiality was determined with reference to full sustainability reports and/or annual reports, in addition to practical experience of some members of the Working Group.



Subject Areas, Aspects & KPIs		Level of Materiality
<b>C</b>	<b>Operating Practices</b>	
<b>C1</b>	<b>Supply Chain Management: General Disclosure Statement</b>	
<b>KPI C1.1</b>	Number of suppliers by geographical region	Low <sup>#</sup>
<b>KPI C1.2</b>	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, how they are implemented and monitored	High
<b>C2</b>	<b>Product Responsibility: General Disclosure Statement</b>	
<b>KPI C2.1</b>	Percentage of total products sold or shipped subject to recalls for safety and health reasons	Low <sup>#</sup>
<b>KPI C2.2</b>	Number of products and services related complaints received and how they are dealt with	High <sup>#</sup>
<b>KPI C2.3</b>	Description of practices relating to observing and protecting intellectual rights	Low <sup>#</sup>
<b>KPI C2.4</b>	Description of quality assurance process and recall procedures	High
<b>KPI C2.5</b>	Description of consumer data protection and privacy policies, how they are implemented and monitored	Medium
<b>C3</b>	<b>Anti-corruption: General Disclosure Statement</b>	
<b>KPI C3.1</b>	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	High
<b>KPI C3.2</b>	Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored	High
<b>D</b>	<b>Community Involvement</b>	
<b>D1</b>	<b>Community Investment: General Disclosure Statement</b>	
<b>KPI D1.1</b>	Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport)	High
<b>KPI D1.2</b>	Resources contributed (e.g. money or time) to the focus areas	High

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*Comprehensive materiality assessments should be conducted on a company specific basis to derive definitive recommendations and a comprehensive strategy for ESG disclosure.*

## Explanatory Notes

### Work Place Quality (A)

*Working Conditions (A1), Health & Safety (A2), Development & Training (A3), Labour Standards (A4)*

Companies within the Utilities sector are typically involved in the generation and/or distribution

of electricity, gas and water. They operate in a highly regulated environment and their activities include, among others, maintenance of existing infrastructure, which may traverse multiple jurisdictions and include research and development of new technologies. They rely on skilled workers that are often exposed to potentially hazardous

<sup>#</sup> Level of materiality was determined with reference to full sustainability reports and annual reports.

<sup>##</sup> Level of materiality was determined with reference to full sustainability reports and/or annual reports, in addition to practical experience of some members of the Working Group.



conditions such as high voltage lines, natural gas storage, or high-pressure water mains. Compliance with applicable occupational health, safety and labour laws and ensuring worker safety is critical to a utility company's primary objective of providing reliable and safe services to its customers. Furthermore, utilities need to provide sufficient development and training programmes to retain their employees and ensure that these workers are up-to-date on changing industry standards and new techniques and materials. As such, understanding and improving Aspects related to Work Place Quality are a central concern and should be included in an ESG report.

### **Environmental Protection (B)**

#### ***Emissions (B1), Use of Resources (B2), and The Environment & Natural Resources (B3)***

Utility providers generally have significant impacts on the environment and natural resources. Generation of electricity is fossil-fuel and resource intensive, carbon and air pollutant emissions tend to be significant, and siting of related infrastructure requires land which may disrupt natural habitats and fragile ecosystems. However, since the industry tends to be highly regulated, reporting on environmental impacts material to the jurisdiction in which the facilities operate, is usually in place due to mandatory requirements and/or stakeholder expectations. Utilities are increasingly compelled to report not just the KPIs, but also how they manage and reduce environmental impacts through the use of processes, systems and standards, and/or business-related strategies such as diversifying their portfolios to include renewable energy sources (e.g. wind, solar and biomass), increasing efficiencies in infrastructure development and/or using less resource intensive fuels (e.g. local supply). Efforts to manage environmental impacts and the Aspects related to Environmental Protection are critical and reporting on environmental impacts is a high priority across the sector.

### **Operating Practices (C)**

#### ***Supply Chain Management (C1), Product Responsibility (C2), Anti-Corruption (C3)***

Utility providers tend to be large companies that typically rely on suppliers and contractors. As

such, they are frequently in a position to screen their suppliers and contractors for environmental performance and/or use their purchasing power to influence the social and environmental policies and practices of their suppliers and contractors. Understanding and improving Aspects related to Supply Chain Management are a material concern and should be included in an ESG report.

As service providers, utility companies focus on their customers. KPIs that fall within the Product Responsibility Aspect, such as product and service related complaints and quality assurance procedures, are therefore important and considered material for purposes of reporting.

As a highly regulated sector typically dominated by a few major players, the utilities sector is perceived to be susceptible to political and other pressures. Corruption is therefore an important issue and utilities manage reputational risks by implementing appropriate policies and procedures and educating employees on legal compliance, accountability and anti-corruption issues. The relative importance of the Anti-Corruption Aspect is therefore high and KPIs associated with anti-corruption activities should be reported.

### **Community Involvement (D)**

#### ***Community Investment (D1)***

Many companies within the Utility sector can have significant impacts on local economies and communities. Utilities are one of the mainstays of communities. They are expected to provide safe, reliable and affordable utility services. However, the physical infrastructure required to provide these services is expensive to construct and may have a detrimental impact on certain communities or even be responsible for displacing people and neighbourhoods. For these reasons, the relative importance of Community Investment initiatives is high, making this an important Aspect that should be included in an ESG report.







## Telecommunications

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*The Telecommunications sector includes providers of telecommunications, satellite and wireless services. A total of six companies considered global leaders in sustainability disclosure were assessed in connection with this Section.*

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## Overview of Global Best Practice in ESG Disclosure

Subject Areas, Aspects & KPIs		Level of Materiality
<b>A</b>	<b>Workplace Quality</b>	
<b>A1</b>	<b>Working Conditions: General Disclosure Statement</b>	
<b>KPI A1.1</b>	Total workforce by employment type, age group and geographical region	High
<b>KPI A1.2</b>	Employee turnover rate by age group and geographical region	High
<b>A2</b>	<b>Health &amp; Safety: General Disclosure Statement</b>	
<b>KPI A2.1</b>	Number and rate of work-related fatalities	High
<b>KPI A2.2</b>	Lost days due to work injury	High
<b>KPI A2.3</b>	Description of occupational health and safety measures adopted, how they are implemented and monitored	High
<b>A3</b>	<b>Development &amp; Training: General Disclosure Statement</b>	
<b>KPI A3.1</b>	The percentage of employees trained by employee category (e.g. senior management, middle management)	High
<b>KPI A3.2</b>	The average training hours completed per employee by employee category (e.g. senior management, middle management)	High
<b>A4</b>	<b>Labour Standards: General Disclosure Statement</b>	
<b>KPI A4.1</b>	Description of measures to review employment practices to avoid child and forced labour	Medium
<b>KPI A4.2</b>	Description of steps taken to eliminate such practices when discovered	Medium
<b>B</b>	<b>Environmental Protection</b>	
<b>B1</b>	<b>Emissions: General Disclosure Statement</b>	
<b>KPI B1.1</b>	Types of emissions and respective emissions data	Medium
<b>KPI B1.2</b>	Greenhouse gas emissions in total (in tonnes) and where appropriate, intensity (e.g. per unit of production, per facility)	High
<b>KPI B1.3</b>	Total hazardous waste produced (in tonnes) and where appropriate, intensity (e.g. per unit of production volume, per facility)	Low
<b>KPI B1.4</b>	Total non-hazardous waste produced (in tonnes) and where appropriate, intensity (e.g. per unit of production volume, per facility)	Medium
<b>KPI B1.5</b>	Description of measures to mitigate emissions and results achieved	High
<b>KPI B1.6</b>	Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved	Medium
<b>B2</b>	<b>Use of Resources: General Disclosure Statement</b>	
<b>KPI B2.1</b>	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)	High
<b>KPI B2.2</b>	Water consumption in total and intensity (e.g. per unit of production volume, per facility)	Medium
<b>KPI B2.3</b>	Description of energy use efficiency initiatives and results achieved	High
<b>KPI B2.4</b>	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved	Low
<b>KPI B2.5</b>	Total packaging material used for finished products (in tonnes), and if applicable, with reference to per unit produced	Medium
<b>B3</b>	<b>The Environment &amp; Natural Resources: General Disclosure Statement</b>	
<b>KPI B3.1</b>	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them	High
<b>C</b>	<b>Operating Practices</b>	
<b>C1</b>	<b>Supply Chain Management: General Disclosure Statement</b>	
<b>KPI C1.1</b>	Number of suppliers by geographical region	Medium <sup>#</sup>
<b>KPI C1.2</b>	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, how they are implemented and monitored	Medium

<sup>#</sup> Level of materiality was determined with reference to full sustainability reports and annual reports.

<sup>##</sup> Level of materiality was determined with reference to full sustainability reports and/or annual reports, in addition to practical experience of some members of the Working Group.



Subject Areas, Aspects & KPIs		Level of Materiality
<b>C2</b>	<b>Product Responsibility: General Disclosure Statement</b>	
<b>KPI C2.1</b>	Percentage of total products sold or shipped subject to recalls for safety and health reasons	Medium <sup>##</sup>
<b>KPI C2.2</b>	Number of products and services related complaints received and how they are dealt with	High <sup>##</sup>
<b>KPI C2.3</b>	Description of practices relating to observing and protecting intellectual rights	Medium <sup>##</sup>
<b>KPI C2.4</b>	Description of quality assurance process and recall procedures	High
<b>KPI C2.5</b>	Description of consumer data protection and privacy policies, how they are implemented and monitored	High <sup>##</sup>
<b>C3</b>	<b>Anti-corruption: General Disclosure Statement</b>	
<b>KPI C3.1</b>	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	High
<b>KPI C3.2</b>	Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored	High
<b>D</b>	<b>Community Involvement</b>	
<b>D1</b>	<b>Community Investment: General Disclosure Statement</b>	
<b>KPI D1.1</b>	Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport)	Medium
<b>KPI D1.2</b>	Resources contributed (e.g. money or time) to the focus areas	High

*This Overview of Global Best Practice in ESG Disclosure outlines whether a KPI has a **High**, **Medium** or **Low** rate of disclosure among the companies included in this study. **High** indicates that the KPI should be considered material for purposes of reporting. A **Medium** designation means that the KPI may be material for some companies, but not necessarily for all companies and that the priority for reporting will depend on a company's individual circumstances and its materiality determination. A **Low** designation indicates that the KPI is not deemed to be of material value for purposes of reporting by a majority of companies in this sector.*

*Comprehensive materiality assessments should be conducted on a company specific basis to derive definitive recommendations and a comprehensive strategy for ESG disclosure.*

## Explanatory Notes

### Work Place Quality (A)

#### **Working Conditions (A1), Health & Safety (A2), Development & Training (A3), Labour Standards (A4)**

The importance of issues related to employee retention and workforce development crosses all sectors of the telecommunications industry. The telecommunications sector is a rapidly evolving sector driven by constant innovation and new technologies. Telecommunications service providers rely on their employees in order to maintain safe and

reliable networks, interface with customers and keep pace with rapidly changing systems and technologies. In this environment, reducing employee turnover and absenteeism, maintaining a safe work environment and increasing employee training and engagement are high priorities.

The Labour Standards Aspect and its KPIs related to prevention of child and forced labour are discretionary and whether these issues are determined to be material for purposes of reporting will generally depend upon the nature and scope

# Level of materiality was determined with reference to full sustainability reports and annual reports.

## Level of materiality was determined with reference to full sustainability reports and/or annual reports, in addition to practical experience of some members of the Working Group.



of a company's activities. Labour standards may not be a priority for telecommunications companies that are not involved in manufacturing.

### **Environmental Protection (B)**

#### ***Emissions (B1), Use of Resources (B2), The Environment & Natural Resources (B3)***

Telecommunications providers tend to have significant impacts on the environment and natural resources due to the extensive transmission infrastructure required to bring telecommunications services to consumers. As the telecommunications industry continues its rapid expansion and companies focus on increasing the reliability and coverage of their networks, the potential for physical telecommunications infrastructure to disrupt natural habitats and fragile ecosystems will increase. Efforts to manage environmental and natural resource impacts are critical and therefore reporting on these impacts is a high priority across the sector.

Emissions and resource use will likely be material issues for large companies with global operations and extensive telecommunications infrastructure networks with a large environmental footprint. Telecommunications companies may also have an opportunity to screen suppliers and manufacturers of mobile devices, most of which are made independently of their service providers, based on their environmental performance. Issues to consider when determining materiality related to Emissions and Use of Resources include the location, size and scope of telecommunications infrastructure and supply chain networks. Efforts to manage environmental impacts will gain importance and are likely to emerge as a high priority across the sector.

### **Operating Practices (C)**

#### ***Supply Chain Management (C1), Product Responsibility (C2), Anti-Corruption (C3)***

Providers of telecommunications services are often highly regulated and directly in the public eye. In addition, because the telecommunications industry tends to be dominated by a small number of major players (due in part to its capital intensive growth model), it is perceived to be susceptible to political and other pressures. Corruption is therefore an important issue and telecommunications providers manage repu-

tational risks by implementing appropriate policies and procedures and educating employees on legal compliance, accountability and anti-corruption issues. The relative importance of the Anti-Corruption Aspect is therefore high and KPIs associated with anti-corruption activities should be reported.

The relative importance of reporting on issues related to Supply Chain Management will depend in part on the size and dominant activities of a particular telecommunication company. For example, large mobile telecommunications companies that have an extensive supply chain would likely place a high degree of importance on supply chain issues.

The Product Responsibility Aspect includes KPIs relating to product and service-related complaints, consumer data protection and privacy policies. Two factors weigh in favour of giving this Aspect high priority for reporting: the customer-service orientation of the telecommunications business and the fundamental role of providers as transmitters of information. As a practical matter, however, not all telecommunications providers include information related to their quality assurance procedures or their data protection and privacy policies. This could be due in part to the sensitive nature of this information and the fact that many markets are dominated by a few major players, effectively limiting competition.

When determining whether to report on KPIs within the Product Responsibility Aspect, issues to consider include character of services provided, prevalence of customer-facing activities and amount and type of data collection.

### **Community Involvement (D)**

#### ***Community Investment (D1)***

Community Investment initiatives are deemed material by some telecommunications companies, but not all. In determining the relative importance of such initiatives, issues to consider, among others, include the nature of a company's customer base and the existence of community ties (for example, companies with a large geographically diverse customer base may not find value in targeting resources to specific communities).



## Information Technology



*The Information Technology sector includes manufacturers of computers, servers mainframes and other peripherals, telecommunication equipment, semiconductors and semiconductor equipment and providers of software and Internet related services. A total of seven companies considered global leaders in sustainability disclosure were assessed in connection with this Review of Current Best Practice.*



## Overview of Global Best Practice in ESG Disclosure

Subject Areas, Aspects & KPIs		Level of Materiality
<b>A</b>	<b>Workplace Quality</b>	
<b>A1</b>	<b>Working Conditions: General Disclosure Statement</b>	
<b>KPI A1.1</b>	Total workforce by employment type, age group and geographical region	High
<b>KPI A1.2</b>	Employee turnover rate by age group and geographical region	Medium <sup>##</sup>
<b>A2</b>	<b>Health &amp; Safety: General Disclosure Statement</b>	
<b>KPI A2.1</b>	Number and rate of work-related fatalities	High
<b>KPI A2.2</b>	Lost days due to work injury	High
<b>KPI A2.3</b>	Description of occupational health and safety measures adopted, how they are implemented and monitored	Medium
<b>A3</b>	<b>Development &amp; Training: General Disclosure Statement</b>	
<b>KPI A3.1</b>	The percentage of employees trained by employee category (e.g. senior management, middle management)	High
<b>KPI A3.2</b>	The average training hours completed per employee by employee category (e.g. senior management, middle management)	Medium
<b>A4</b>	<b>Labour Standards: General Disclosure Statement</b>	
<b>KPI A4.1</b>	Description of measures to review employment practices to avoid child and forced labour	High
<b>KPI A4.2</b>	Description of steps taken to eliminate such practices when discovered	High
<b>B</b>	<b>Environmental Protection</b>	
<b>B1</b>	<b>Emissions: General Disclosure Statement</b>	
<b>KPI B1.1</b>	Types of emissions and respective emissions data	High
<b>KPI B1.2</b>	Greenhouse gas emissions in total (in tonnes) and where appropriate, intensity (e.g. per unit of production, per facility)	High
<b>KPI B1.3</b>	Total hazardous waste produced (in tonnes) and where appropriate, intensity (e.g. per unit of production volume, per facility)	High <sup>##</sup>
<b>KPI B1.4</b>	Total non-hazardous waste produced (in tonnes) and where appropriate, intensity (e.g. per unit of production volume, per facility)	High
<b>KPI B1.5</b>	Description of measures to mitigate emissions and results achieved	High
<b>KPI B1.6</b>	Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved	Medium
<b>B2</b>	<b>Use of Resources: General Disclosure Statement</b>	
<b>KPI B2.1</b>	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)	High
<b>KPI B2.2</b>	Water consumption in total and intensity (e.g. per unit of production volume, per facility)	High
<b>KPI B2.3</b>	Description of energy use efficiency initiatives and results achieved	High
<b>KPI B2.4</b>	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved	Medium
<b>KPI B2.5</b>	Total packaging material used for finished products (in tonnes), and if applicable, with reference to per unit produced	High
<b>B3</b>	<b>The Environment &amp; Natural Resources: General Disclosure Statement</b>	
<b>KPI B3.1</b>	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them	High

# Level of materiality was determined with reference to full sustainability reports and annual reports.

## Level of materiality was determined with reference to full sustainability reports and/or annual reports, in addition to practical experience of some members of the Working Group.



Subject Areas, Aspects & KPIs		Level of Materiality
<b>C</b>	<b>Operating Practices</b>	
<b>C1</b>	<b>Supply Chain Management: General Disclosure Statement</b>	
<b>KPI C1.1</b>	Number of suppliers by geographical region	Medium <sup>#</sup>
<b>KPI C1.2</b>	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, how they are implemented and monitored	Medium
<b>C2</b>	<b>Product Responsibility: General Disclosure Statement</b>	
<b>KPI C2.1</b>	Percentage of total products sold or shipped subject to recalls for health and safety reasons	Low <sup>#</sup>
<b>KPI C2.2</b>	Number of products and services related complaints received and how they are dealt with	Medium <sup>##</sup>
<b>KPI C2.3</b>	Description of practices relating to observing and protecting intellectual rights	Medium <sup>#</sup>
<b>KPI C2.4</b>	Description of quality assurance process and recall procedures	High
<b>KPI C2.5</b>	Description of consumer data protection and privacy policies, how they are implemented and monitored	High <sup>##</sup>
<b>C3</b>	<b>Anti-corruption: General Disclosure Statement</b>	
<b>KPI C3.1</b>	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	Medium
<b>KPI C3.2</b>	Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored	High
<b>D</b>	<b>Community Involvement</b>	
<b>D1</b>	<b>Community Investment: General Disclosure Statement</b>	
<b>KPI D1.1</b>	Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport)	Medium
<b>KPI D1.2</b>	Resources contributed (e.g. money or time) to the focus areas	Medium

*This Overview of Global Best Practice in ESG Disclosure outlines whether a KPI has a High, Medium or Low rate of disclosure among the companies included in this study. High indicates that the KPI should be considered material for purposes of reporting. A Medium designation means that the KPI may be material for some companies, but not necessarily for all companies and that the priority of reporting will depend on a company's individual circumstances and its materiality determination. A Low designation indicates that the KPI is not deemed to be of material value for purposes of reporting by a majority of companies in this sector.*

*Comprehensive materiality assessments should be conducted on a company specific basis to derive definitive recommendations and a comprehensive strategy for ESG disclosure.*

## Explanatory Notes

### Work Place Quality (A)

**Working Conditions (A1), Health & Safety (A2), Development & Training (A3), Labour Standards (A4)**

The Information Technology sector is a rapidly evolving sector driven by innovation. Consolidation

within the sector has resulted in many companies that manufacture technology products (e.g. builders of data and internet hardware) and provide services (e.g. providers of software and consulting). As a knowledge-based industry, companies within this sector typically have a highly skilled workforce and rely on their employees' ability to create and

<sup>#</sup> Level of materiality was determined with reference to full sustainability reports and annual reports.

<sup>##</sup> Level of materiality was determined with reference to full sustainability reports and/or annual reports, in addition to practical experience of some members of the Working Group.



innovate. The ability to attract and retain talent is key in a tight skilled labour market focused on innovation. As manufacturers typically operate in a global environment, IT companies are also subject to an array of different labour and employment-related laws, regulations and standards. Therefore, the Aspects related to work place quality are material and should be included in an ESG report.

### **Environmental Protection (B)**

#### *Emissions (B1), Use of Resources (B2), The Environment & Natural Resources (B3)*

Providers of technology hardware may have significant impacts on the environment and natural resources from an operations standpoint, given their manufacturing and distribution activities. Companies with extensive supply chains will also have the ability to exert influence over their suppliers. Accordingly, companies in this sector that have significant manufacturing activities should include in an ESG report a qualitative and quantitative assessment of those impacts and their efforts to manage them. Note, however, that these Aspects may not be as high a priority for reporting for companies whose primary activities are limited to providing services.

### **Operating Practices (C)**

#### *Supply Chain Management (C1), Product Responsibility (C2), Anti-Corruption (C3)*

The relative importance of reporting on issues related to Supply Chain Management will depend in part on the size and primary activities of a particular company within the Information Technology sector. For example, large manufacturers that have an extensive supply chain would likely place a high degree of importance on supply chain issues and find KPIs within this Aspect material to report.

Because the Information Technology sector relies on innovation and tends to be dominated by a small number of major players (due primarily to industry consolidation), issues related to anti-competitive behaviour, fraud and patent infringement are important and companies within the sector often receive a high level of scrutiny from regulators and competitors. Corruption is therefore an important issue and information technology companies manage reputational and regulatory risks

by implementing appropriate policies and procedures and educating employees on legal compliance, accountability and anti-corruption issues. The relative importance of the Anti-Corruption Aspect is therefore high and KPIs associated with anti-corruption activities should be reported.

The Product Responsibility Aspect includes KPIs relating to product and service-related complaints, quality assurance, intellectual property policies and consumer data protection and privacy policies. The link between manufacturing and product-related complaints and quality assurance processes and procedures is clear. As a consumer driven industry, poor product quality is a key area of exposure that directly impacts a company's bottom line and its brand. Not all companies disclose actual numbers of complaints<sup>17</sup> and may instead focus on quality assurance procedures.

The relevance of the KPI on consumer data protection and privacy policies is more complicated. The majority of the companies analysed in this study do not directly address consumer protection policies in their ESG reports. This may be because consumer protection policies are addressed elsewhere and/or disclosed to the public on company websites as a matter of course, or because companies do not consider consumer protection to be a material issue. That said, given the rapidly changing technological environment and the large amounts of personal information that consumers are increasingly requested to disclose, consumers have serious concerns - and demands - regarding data privacy and security and regulators are increasingly focused on this issue. Consequently, KPIs related to consumer protection and data privacy may emerge as an area of significant reputational and regulatory risk to software and service providers in the short-term.

### **Community Involvement (D)**

#### *Community Investment (D1)*

Community Investment initiatives are deemed material by some information technology companies, but not all. In determining the relative importance of such initiatives, issues to consider, among others, include the nature of a company's customer base, the existence of community ties and reputation.

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<sup>17</sup> Some organisations view this information to be sensitive and proprietary.

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## Conglomerates



*The Conglomerate sector is comprised of diversified companies engaged in three or more businesses classified in different sectors with each business contributing more than 10% but not substantially to turnover. A total of fifteen companies considered global leaders in sustainability disclosure were assessed in connection with this Section.*



The ESG KPIs for this industry sector are categorized as discretionary for disclosure where the priority for reporting will depend on a company's individual circumstances and its own materiality determination. Comprehensive materiality assessments should be conducted on a company specific basis to derive definitive recommendations and a comprehensive strategy for ESG disclosure.

### **Explanatory Notes**

The Conglomerate industry sector is comprised of large companies that have diverse operations across many sectors and in many countries. Conglomerates may control a group of companies, each of which operates autonomously under its own board. Given this structure, ESG reporting can be particularly challenging.

There is a tremendous variety in the types of information companies within the Conglomerate industry sector, making it difficult to draw general conclusions regarding materiality that are useful and reliable. That said, there are several KPIs that are consistently reported across the Conglomerate sector. These include those related to Work Place Quality – specifically Working Conditions and Health and Safety, Environmental Protection (specifically Emissions and Use of Resources) and Anti-Corruption. This makes sense given that these issues tend to be consistently important and highly reported across many sectors in which conglomerates operate.

As a first step to determining materiality, conglomerates should evaluate their holdings to determine the extent to which its operations fall within each sector (e.g. financial services, properties & construction, consumer goods etc.). Companies with significant operations in particular sectors should then refer to the relevant sections of this Report for more detailed analysis of Aspects and KPIs that companies within that sector deemed material for reporting.

*Swire Pacific is a highly diversified group that includes three HKEx listed companies. It is comprised of five operating divisions: a Properties Division, which is responsible for designing, developing and managing mixed-use developments; an Aviation Division, which includes commercial airlines and an aircraft engineering and maintenance business; a Beverage Division, which is one of the largest Coca-Cola bottlers in the world and includes a franchise population of over 440 million people; a Marine Services Division which provides off-shore energy support and towing services, and a Trading and Industrial Division, which is engaged in the distribution and retail sale of apparel and motor vehicles, among other things. Globally, Swire Pacific employs over 72,000 staff.*

*Using an integrated reporting approach to sustainability reporting, Swire Pacific incorporates its sustainability metrics and performance data into its annual report. It employs a consolidated approach, while focusing on issues that are particularly relevant for each of its divisions. For instance, water quantity and quality is of high material value to Swire Pacific's Beverage Division while greenhouse gases are of priority to its aviation division. Given the significant impacts these two metrics could potentially have on overall Group performance, the related HKEx KPIs are material for disclosure (e.g. B1.2 and B2.4).<sup>18</sup>*

18 Swire Pacific Annual Report 2012, [www.swire.com/en/sustainability/sd\\_reports/swire\\_ar2012.pdf](http://www.swire.com/en/sustainability/sd_reports/swire_ar2012.pdf) [website visited on December 23, 2013.]



## Background on ESG Reporting



### What is ESG Reporting?

*Environmental, Social and Governance Reporting (“ESG Reporting”) is the process of gathering and disclosing information regarding the economic, environmental and social impacts of an organisation and its activities. Also known as “CSR reporting”<sup>19</sup> or “sustainability reporting”, ESG reporting complements financial reporting and enables companies and organisations to measure, understand and communicate the environmental, social and governance impacts of their businesses and operations.*

<sup>19</sup> “CSR” means “corporate social responsibility.”



ESG reporting entails collecting both qualitative and quantitative data on a wide variety of topics including, for example, greenhouse gas emissions, use of natural resources, waste management practices, occupational health and safety procedures, supply chain management and product responsibility. Typically, ESG information is presented in a report published annually by the reporting company.

An ESG Report that is accurate, reliable and appropriately focused can provide a more complete picture of a company's social and environmental impacts and serve as a valuable tool for measuring a company's baseline performance in these areas relative to its peers.

A number of organisations, including, among others, the GRI, the International Integrated Reporting Council ("IIRC") and the Sustainability Accounting Standards Board ("SASB"), are attempting to bring some consistency and added value to ESG reporting. They are focused on developing systems ranging from comprehensive sustainability principles, standards and detailed performance indicators for reporting (GRI) to frameworks aimed at increasing transparency and integrating sustainability concerns, among others, into standard business practice (IIRC) to sector-based sustainability accounting standards (SASB). Although each of these organisations has a slightly differing approach to ESG reporting, they share a common goal of integrating sustainability into mainstream corporate reporting in order to promote and manage change towards a sustainable global economy.

### **Why is ESG Reporting Important?**

ESG reporting is important for several reasons. First, it enables organisations to better understand the impacts of their activities and equips them with the information needed to mitigate risks, identify and take advantage of resulting opportunities and shape business strategy over the long term. Tracking, reporting and managing ESG business practices allows a company to be more flexible and responsive in a challenging global business environment characterised by changing legislation, evolving norms and standards, finite natural

resources and heightened public scrutiny and expectations for corporate accountability. ESG reporting supports informed decision-making.

***Among the world's largest 250 companies, 93 percent now publish sustainability reports.***<sup>20</sup>

Second, stakeholders, and particularly investors, increasingly recognise the value of ESG reporting and as a result, it has become an increasingly powerful business tool. Sustainability reporting offers investors, customers, employees, and other stakeholders a clearer picture of a company's activities and their environmental and social impacts, which can directly affect their financial performance and long-term economic viability. Companies that capture and utilise ESG data to minimize risks and improve their performance have a comparative advantage over their peers and are more likely to create social and economic value.

As the HKEx Guide readily acknowledges, "[a] key driver for adopting ESG practices and reporting is the growth of responsible investment as more investors incorporate ESG criteria into their valuations and investment strategies."

***ESG reporting makes business sense. Some of the potential benefits include, among others:***<sup>21</sup>

- ***Better understanding of ESG risks and opportunities***
- ***Increased investor confidence***
- ***Greater employee loyalty and retention***
- ***Enhanced reputation***
- ***Brand loyalty***
- ***Improved business resilience***

The increasing value investors place on ESG reporting is clearly demonstrated by the emergence of indices, including the Hang Seng Corporate Sustainability Index ("HSSUS"), Dow Jones Sustainability Index ("DJSI"), and the

<sup>20</sup> The KPMG Survey of Corporate Responsibility Reporting 2013, [www.kpmg.com/Global/en/IssuesAndInsights/ArticlesPublications/corporate-responsibility/Documents/corporate-responsibility-reporting-survey-2013.pdf](http://www.kpmg.com/Global/en/IssuesAndInsights/ArticlesPublications/corporate-responsibility/Documents/corporate-responsibility-reporting-survey-2013.pdf) [website visited December 17, 2013].

<sup>21</sup> See "Value of sustainability reporting, A study by Ernst & Young LLP and the Boston College Center for Corporate Citizenship," 2013 [www.ey.com/Publication/vwLUAssets/ACM\\_BC/\\$FILE/1304-1061668\\_ACM\\_BC\\_Corporate\\_Center.pdf](http://www.ey.com/Publication/vwLUAssets/ACM_BC/$FILE/1304-1061668_ACM_BC_Corporate_Center.pdf) [website visited on December 20, 2013]. ("The 2013 EY-BC Report")



FTSE4Good Index that are designed to provide investors and asset managers with reliable and objective benchmarks regarding sustainability performance. In addition, a growing number of investors are building their own ESG databases and strategic sustainable investment funds (e.g. Goldman Sachs GS Sustain and UBS).<sup>22</sup>

*In recognition of the increasing demand for ESG information, Bloomberg now collects publicly available ESG data from more than 5,000 companies in 52 countries and makes it available to investors on its 315,000+ data terminals.*<sup>23</sup>

A clear consensus has emerged that “sustained and superior performance depends not only on maximizing traditional financial metrics, but on leveraging ESG performance.”<sup>24</sup> Companies that effectively leverage their ESG performance create value in the form of improved financial performance, better access to capital, increased operational efficiency, higher rates of employee retention and loyalty and enhanced reputation and consumer trust.<sup>25</sup>

### Recent Trends: From Voluntary to Compulsory

According to KPMG’s 2013 Survey of Corporate Responsibility Reporting, ESG reporting has become a “mainstream global business practice, the importance of which is recognised by companies and regulators alike.” And countries “that previously lagged behind are catching up or even overtaking the early pioneers in terms of the quantity of companies reporting.” While reporting rates among the world’s largest companies were high across all regions and industry sectors, the Asia Pacific region saw the biggest overall increase in reporting amongst its 100 largest companies, up from 49 percent in 2011 to 71 percent in 2013.<sup>26</sup>

This increase in reporting rates has been driven in part by investor demand and in part by the emergence of *compulsory* reporting requirements. Although sustainability reporting remains largely voluntary, increasing pressure for transparency, accuracy and consistency has led some governments and stock exchanges to adopt regulations requiring ESG reporting.<sup>27</sup>

**Table 2: Examples of Mandatory ESG Reporting Regimes**<sup>28</sup>

Jurisdiction	ESG Reporting Regimes
Denmark	Financial Statements Act: Requires large companies to report or explain in their annual reports.
European Union	The European Commission adopted a directive to amend the Accounting Directives 78/660/EEC and 83/349/EEC to mandate increased ESG disclosure by companies employing over 500 people.*
France	Grenelle II Act: Requires large companies to report annually and advises independent verification of reports.
Indonesia	Law No. 40/2007: Requires LLCs and publicly listed companies to report in their annual report.
Singapore	Energy Conservation Act 2012: Requires large companies to report on energy use.
United Kingdom	London Stock Exchange: Requires listed companies to report on GHG emissions. Companies Act: Requires large and medium-sized companies to report in annual report.

\* At time of press the directive was awaiting approval by the European Parliament & Member States before being signed into law.

<sup>22</sup> See [www.goldmansachs.com/citizenship/environmental-stewardship-and-sustainability/environmental-markets/global-investment-research.html](http://www.goldmansachs.com/citizenship/environmental-stewardship-and-sustainability/environmental-markets/global-investment-research.html) [website visited December 29, 2013]; see also, [www.ubs.com/us/en/asset-management/financial\\_advisors/equity\\_sri.html](http://www.ubs.com/us/en/asset-management/financial_advisors/equity_sri.html) [website visited December 29, 2013].

<sup>23</sup> 2012 Sustainability Report, Bloomberg, [www.bloomberg.com/bsustainable/wp-content/themes/wp\\_sustain13/theme/report/BloombergSustReport2012.pdf#page=16](http://www.bloomberg.com/bsustainable/wp-content/themes/wp_sustain13/theme/report/BloombergSustReport2012.pdf#page=16) [website visited on December 17, 2013].

<sup>24</sup> “Disclosure of Long-Term Business Value: What Matters?” Deloitte, 2012; see also The KPMG Survey of Corporate Responsibility Reporting 2013 (“KPMG Survey”).

<sup>25</sup> See The 2013 EY-BC Report.

<sup>26</sup> See KPMG Survey.

<sup>27</sup> See HKEx Consultation Paper: Environmental, Social and Governance Reporting Guide, December 2011, for more on approaches to ESG reporting of other jurisdictions and stock exchanges.

<sup>28</sup> 2013 Trends in Sustainability Disclosure: Benchmarking the World’s Stock Exchanges, October 2013, CK Capital for a global sustainability disclosure policy inventory, available at <http://static.corporateknights.com/StockExchangeReport2013.pdf>



# 3



## Focus on Hong Kong

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### Using BEC Member ESG Disclosures as a Guide

*While there is much to be learned from global leaders about best practice in ESG disclosure, it is also useful to narrow the lens to the extent possible and focus on Hong Kong issuers. A number of Hong Kong listed companies prepare some form of ESG disclosure regularly, which we would like to provide some insight on in this section.*

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We have chosen to use the BEC membership as a sample to provide a quick snapshot of the type of ESG reporting some of the large cap companies listed in Hong Kong are pursuing currently. The results of this analysis are presented in Table 3 showing those BEC member companies listed on the HKEx, indicating whether they are constituents of the Hang Seng Corporate Sustainability Index and their level of current ESG disclosure. The table is comprised of

companies within those Industry Sectors that were reviewed as part of this Handbook amongst others.

The companies listed in Table 3 may be useful as examples of the type and quality of ESG data Hong Kong companies considered to be material for disclosure. This list is provided for illustration purposes only and may be informative to the discussion of materiality in the Hong Kong context.

**Table 3: Current ESG Disclosure Practice of BEC Members Listed on HKEx**

Company Name	Hang Seng Corporate Sustainability Index Constituent (Yes / No)	ESG Disclosure (Yes / No)	Type of Disclosure (Standalone Report / Annual Report Section / Webpage)	Reporting Framework Used (GRI / HKEx ESG Guide / IIRC / UN Global Compact)	Web Link
Agile Property Holdings Limited (3383:HK)	No	Yes	Annual Report Section Webpage	–	<a href="http://www.agile.com.cn/agile/Web/en/123/">www.agile.com.cn/agile/Web/en/123/</a>
China Everbright International Limited (0257:HK)	No	Yes	Standalone Report Annual Report Section Webpage	GRI & HKEx ESG Guide	<a href="http://www.ebchinaintl.com/en/csr/sustainability.php">www.ebchinaintl.com/en/csr/sustainability.php</a>
Chun Wo Development Holdings Limited (0711:HK)	No	Yes	Annual Report Section Webpage	–	<a href="http://www.chunwo.com/chunwoimages/files/e_20130716Annual%20Report%202012-13.pdf">www.chunwo.com/chunwoimages/files/e_20130716Annual%20Report%202012-13.pdf</a>
CLP Power Hong Kong Limited (0002:HK)	Yes	Yes	Standalone Report Annual Report Section Webpage	GRI, IIRC & HKEx ESG Guide	<a href="http://www.clpgroup.com/ourvalues/report/Pages/sustainabilityreport.aspx?lang=en">www.clpgroup.com/ourvalues/report/Pages/sustainabilityreport.aspx?lang=en</a>
COSCO Pacific Limited (1199:HK)	No	Yes	Annual Report Section Webpage	–	<a href="http://www.coscopac.com.hk/en/society.php?class_id=24">www.coscopac.com.hk/en/society.php?class_id=24</a>
Great Eagle Holdings Limited (0041:HK)	No	Yes	Annual Report Section Webpage	HKEx ESG Guide	<a href="http://www.greateagle.com.hk/html/eng/investors/financial_reports.jsp">www.greateagle.com.hk/html/eng/investors/financial_reports.jsp</a>
Hang Lung Properties Limited (0101:HK)	Yes	Yes	Standalone Report Annual Report Section Webpage	GRI & HKEx ESG Guide	<a href="http://www.hanglung.com/en/sustainability/sustainability-report.aspx">www.hanglung.com/en/sustainability/sustainability-report.aspx</a>
Hang Seng Bank Limited (0011:HK)	Yes	Yes	Standalone Report Annual Report Section Webpage	GRI	<a href="http://bank.hangseng.com/1/2/about-us/corporateresponsibility/corporate-responsibility">http://bank.hangseng.com/1/2/about-us/corporateresponsibility/corporate-responsibility</a>
Henderson Land Development Co., Ltd. (0012:HK)	Yes	Yes	Annual Report Section Webpage	–	<a href="http://www.hld.com/en/csr/sustainability.shtml">www.hld.com/en/csr/sustainability.shtml</a>





Company Name	Hang Seng Corporate Sustainability Index Constituent (Yes / No)	ESG Disclosure (Yes / No)	Type of Disclosure (Standalone Report / Annual Report Section / Webpage)	Reporting Framework Used (GRI / HKEx ESG Guide / IIRC / UN Global Compact)	Web Link
HKEI (BEC member: The Hongkong Electric Company Limited) (2638:HK)	No <sup>3</sup>	Yes	Standalone Report Annual Report Section Webpage	GRI	<a href="http://www.hkelectric.com/web/CorporateSocialResponsibilities/EnvironmentQualityHealthSafetyReport/Index_en.htm">www.hkelectric.com/web/CorporateSocialResponsibilities/EnvironmentQualityHealthSafetyReport/Index_en.htm</a>
Hopewell Holdings Limited (0054:HK)	Yes	Yes	Standalone Report Annual Report Section Webpage	GRI	<a href="http://www.hopewellholdings.com/eng/hhl_sustainability_report.htm">www.hopewellholdings.com/eng/hhl_sustainability_report.htm</a>
HSBC Holdings plc (BEC member: The Hongkong & Shanghai Banking Corporation Limited) (0005:HK)	Yes	Yes	Standalone Report Webpage	GRI	<a href="http://www.hsbc.com/citizenship/sustainability">www.hsbc.com/citizenship/sustainability</a>
Hsin Chong Construction Group Ltd. (0404:HK)	No	Yes	Annual Report Section Webpage	–	<a href="http://www.hsinchong.com/en-US/Pages/reports">www.hsinchong.com/en-US/Pages/reports</a>
Hysan Development Company Limited (0014:HK)	Yes	Yes	Standalone Report Webpage	HKEx ESG Guide	<a href="http://www.hysan.com.hk/en/investors/annual_interim_report/index.html">www.hysan.com.hk/en/investors/annual_interim_report/index.html</a>
Kerry Properties Limited (0683:HK)	No	Yes	Annual Report Section Webpage	–	<a href="http://www.kerryprops.com/kpl/en/investor_relations/annual_reports.html">www.kerryprops.com/kpl/en/investor_relations/annual_reports.html</a>
Li & Fung Limited (BEC member: Fung Group) (0494:HK)	Yes	Yes	Annual Report Section Webpage	UNGC	<a href="http://www.lifung.com/eng/ir/reports.php">www.lifung.com/eng/ir/reports.php</a>
MTR Corporation Limited (0066:HK)	Yes	Yes	Standalone Report Annual Report Section Webpage	GRI & HKEx ESG Guide	<a href="http://mtr.com.hk/eng/sustainability/">http://mtr.com.hk/eng/sustainability/</a>
NWS Holdings Limited (0659:HK)	No	Yes	Annual Report Section Webpage	–	<a href="http://www.nws.com.hk/html/eng/investor/investor_reports.aspx">www.nws.com.hk/html/eng/investor/investor_reports.aspx</a>
Orient Overseas (International) Limited (BEC member: Orient Overseas Container Line Limited) (0316:HK)	Yes	Yes	Standalone Report Annual Report Section Webpage	GRI	<a href="http://www.ooilgroup.com/corporate/environmentalprotection/Pages/default.aspx">www.ooilgroup.com/corporate/environmentalprotection/Pages/default.aspx</a>







Company Name	Hang Seng Corporate Sustainability Index Constituent (Yes / No)	ESG Disclosure (Yes / No)	Type of Disclosure (Standalone Report / Annual Report Section / Webpage)	Reporting Framework Used (GRI / HKEx ESG Guide / IIRC / UN Global Compact)	Web Link
PCCW Limited (0008:HK)	No	Yes	Webpage	—	<a href="http://www.pccw.com/About+PCCW/Corporate+Social+Responsibility?language=en_US">www.pccw.com/About+PCCW/Corporate+Social+Responsibility?language=en_US</a>
Sino Land Company Limited (0083:HK)	Yes	Yes	Standalone Report Webpage	HKEx ESG Guide <sup>1</sup>	<a href="http://www.sino.com/en-US/Media-Center/Publication/Sustainability-Report.aspx">www.sino.com/en-US/Media-Center/Publication/Sustainability-Report.aspx</a>
Sun Hung Kai Properties Limited (0016:HK)	Yes	Yes	Standalone Report Annual Report Section Webpage	GRI & HKEx ESG Guide	<a href="http://www.shkp.com/en-US/Pages/sustainable-development">www.shkp.com/en-US/Pages/sustainable-development</a>
Swire Pacific Limited (0019:HK) <sup>2</sup>	Yes	Yes	Annual Report Section Webpage	GRI	<a href="http://www.swirepacific.com/en/sd/sd_landing.php">www.swirepacific.com/en/sd/sd_landing.php</a>
Swire Properties Limited (1972:HK)	No	Yes	Standalone Report Annual Report Section Webpage	GRI	<a href="http://www.swireproperties.com/static/SD/sdreport/en/home/index.html">www.swireproperties.com/static/SD/sdreport/en/home/index.html</a>
The Hong Kong & China Gas Company Limited (0003:HK)	Yes	Yes	Standalone Report Annual Report Section Webpage	GRI	<a href="http://www.towngas.com/Eng/Corp/SocResp/SR/Index.aspx">www.towngas.com/Eng/Corp/SocResp/SR/Index.aspx</a>
The Link Real Estate Investment Trust (BEC member: The Link Management Limited) (0823:HK)	No <sup>4</sup>	Yes	Standalone Report Webpage	GRI, HKEx ESG Guide & UNGC	<a href="http://www.thelinkreit.com/EN/corporate/Pages/Sustainability-Report.aspx?keyword=now&amp;Column=Category">www.thelinkreit.com/EN/corporate/Pages/Sustainability-Report.aspx?keyword=now&amp;Column=Category</a>
Wheelock & Company Limited (0020:HK)	No	Yes <sup>5</sup>	Annual Report Section Webpage	—	<a href="http://www.wheelockcompany.com/corporate/company.html">www.wheelockcompany.com/corporate/company.html</a>
Yau Lee Holdings Limited (0406:HK)	No	Yes	Annual Report Section Webpage	—	<a href="http://www.yaulee.com/eng/aboutYauLee/AnnualReport.htm">www.yaulee.com/eng/aboutYauLee/AnnualReport.htm</a>

Current as of 12 May 2014

- 1 Sino Group reports in accordance with GRI; Sino Hotels (Holdings) Limited (1221:HK) reports in accordance with the HKEx ESG Guide.
- 2 Swire Pacific Limited subsidiaries Swire Properties Limited (1972:HK) and Cathay Pacific Limited (0293:HK) use the Reporting Frameworks provided by GRI and/or HKEx ESG Guide.
- 3 Power Assets Holdings Limited is one of the constituents of the Hang Seng Corporate Sustainability Index and holds a 49.9% stake in HKEI which wholly owns The Hongkong Electric Company Limited.
- 4 Real Estate Investment Trusts (REITs) are excluded from the universe of companies eligible for inclusion in the Hang Seng Corporate Sustainability Index.
- 5 Wheelock and Company Limited has disclosed ESG data and information via a Standalone Report of its subsidiary Wheelock Properties Limited using GRI guidelines.



Image courtesy of Schneider Electric (Hong Kong) Limited

### *Some Key Questions for Assessing Materiality*

Below are some key, high-level questions to help companies begin to think about and identify what types of information with respect to the four Aspects in the HKEx Guide might be relevant for reporting. These questions are derived from the questions investors would typically ask when analysing a company's risks, opportunities and future performance. The questions are general in nature and can be used as a brainstorming tool by companies across all sectors when considering whether specific KPIs are of relevance (i.e. material) to one's company.

#### **A) Work Place Quality**

- Has your company had any issues or complaints related to working conditions?
- How do you retain top talent and ensure knowledge management within your organisation?
- Has your company violated any laws or regulations related to health, safety and labour standards?

#### **B) Environmental Protection**

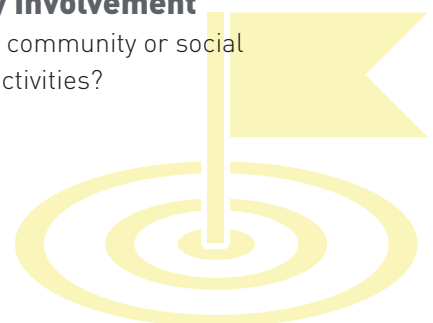
- Has your company previously had any incidents related to environmental spills or accusations related to environmental pollution?
- Is your company's energy and/or resource consumption significantly larger than that of your peers in the same industry?

#### **C) Operating Practice**

- Has your company been accused of corruption or had any fines or penalties assessed related to corruption?
- Do you have significant customer-facing activities and customer data collection policies?
- Do your peers have programmes in place to monitor environmental and social impacts throughout the supply chain?

#### **D) Community Involvement**

- What are your community or social impacts and activities?





## Data Management: Some Key Challenges



# 4

*ESG reporting presents a number of challenges for businesses across industries. Some of the principal challenges relate to the availability, reliability, relevance and consistency of the information reported.*



### **Availability of Data**

One of the initial hurdles in undertaking ESG reporting relates to the availability of data. Gathering performance data from different departments within a company can be difficult and time-consuming, especially for those who do not yet have systems set up for this type of data collection or whose data collection systems are less mature. Additional challenges arise from the need to collect data from suppliers or associates, who are not directly controlled by the company. It is crucial for a company to carefully define its reporting scope and boundary at the onset of report preparation via assessment of materiality, a process that has recently been refined in GRI G4.<sup>29</sup>

### **Quality and Reliability of Data**

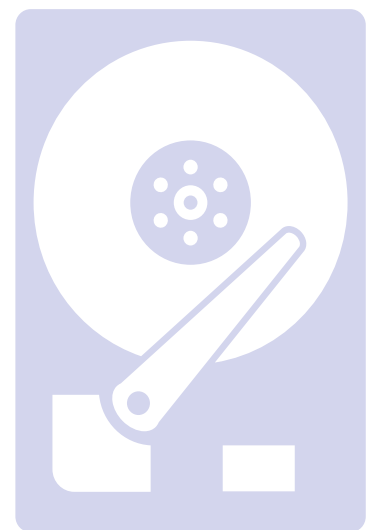
It is important to report information that is accurate and current.<sup>30</sup> Information and processes used in the preparation of a report should be recorded, analysed, and disclosed in a way that permits examination and establishes the quality and credibility of the information. Disclosure of incorrect or misleading information may create potential legal liability for the reporting company and could have serious reputational consequences. Having proper internal and external controls throughout the entire data/information collection process, such as internal audit and third party assurance, can help to minimize risks from unreliable data.

### **Relevance of Data**

The concept of relevance or “materiality” is important for the reasons discussed above. Ultimately, a company’s objective should be to efficiently target its resources at collecting information that is material to a company’s environmental and social impacts. Irrelevant or extraneous information obscures the picture and can make analysis and decision-making difficult for investors, regulators, consumers and other users of the report. Striking an appropriate and workable balance between comprehensiveness and relevance is key. In addition, information should be reported and presented in a manner that is understandable and accessible to stakeholders.

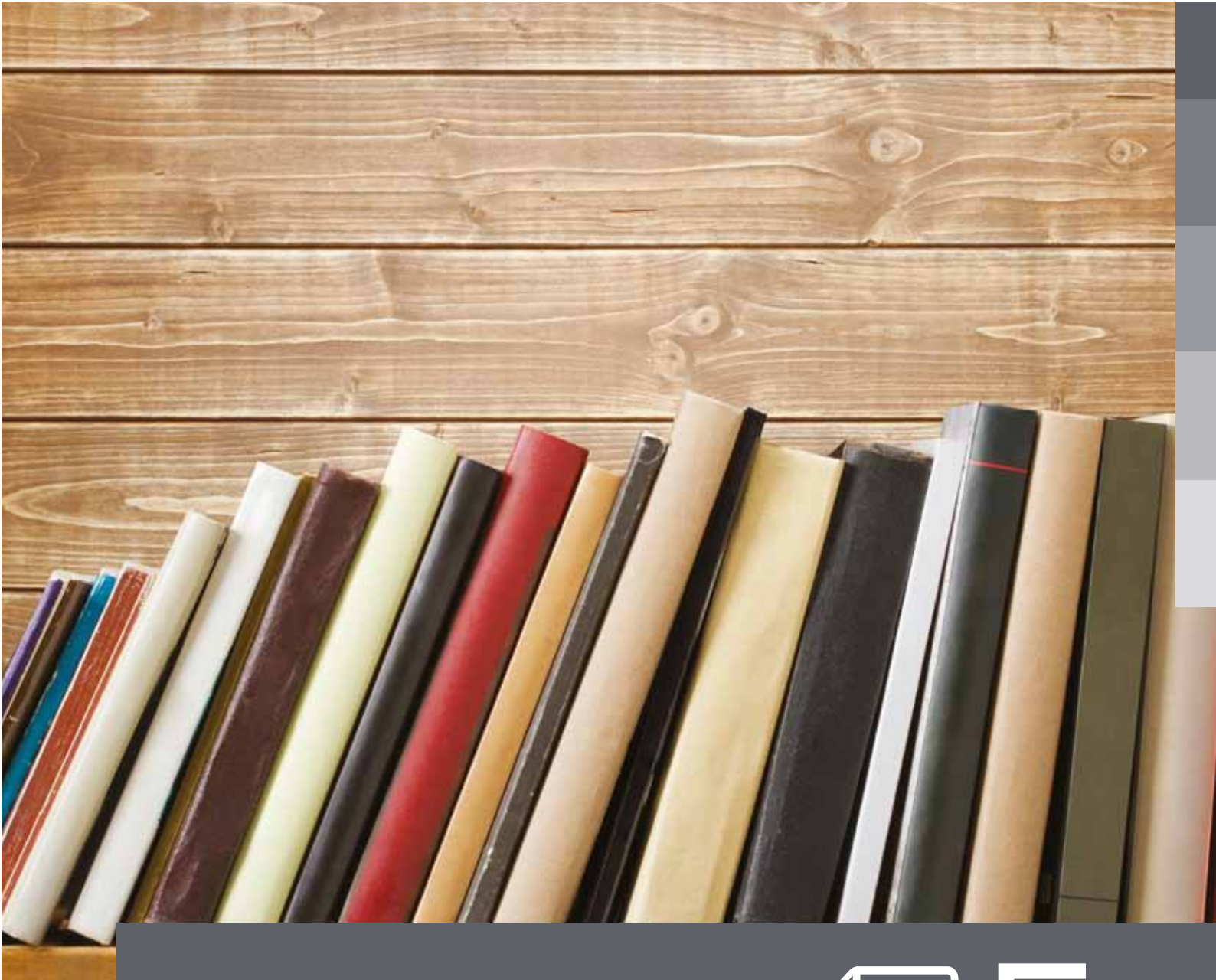
### **Consistency of Data**

ESG data is often collected and disseminated by a range of people within a business and its different departments, giving rise to a risk of inconsistency. Internal controls and reporting procedures to ensure consistency and reliability help mitigate the risk of inaccurate data being disseminated to stakeholders. However, investors and stakeholders are increasingly looking beyond internal controls and demanding third-party verification and assurance to assess the credibility of ESG reporting. The task of assurers is to analyse the ESG data that is reported, assess the systems and procedures that are in place, and verify whether the claims made in the ESG report are valid. In this respect, it is similar to a company having its financial statements audited by a third party. But there are still questions as to the value of third-party verification. The methodologies that different assurers use can vary tremendously and moreover, in many cases, the company processes and controls with which they are working are still under development. Lastly, third-party verification raises cost versus value considerations.



<sup>29</sup> See CSRWire Talkback, *The Matter of Materiality: Will More Disclosure Mean Better Sustainability Reporting?*, June 13, 2013 ([www.csrwire.com/blog/posts/887-the-matter-of-materiality-will-more-disclosure-mean-better-sustainability-reporting](http://www.csrwire.com/blog/posts/887-the-matter-of-materiality-will-more-disclosure-mean-better-sustainability-reporting)) (website visited December 29, 2013).

<sup>30</sup> The HKEx Guide encourages companies to report their performance data using specific measurement units and conversions may be required.



## Appendix – Handbook Research Methodology

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*This Handbook provides a reference point to HKEx listed companies preparing to respond to the HKEx Guide by providing a review of what companies that are leaders in sustainability reporting across different industry sectors deem necessary for ESG reporting.*

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For this purpose, we have reviewed a wide range of Sustainability Reports from 88 corporate leaders in ESG disclosure operating across the globe and in a variety of industry sectors. On this basis, an assessment was undertaken for each HKEx KPI based on the rate of disclosure among the companies in each industry sector between 2012 and 2013. The analysis relies on the assumption that the rate of disclosure is related to and reflective of materiality (see also *Part 4: Assumptions* below).

Below is a detailed overview of the methodology used to guide the analysis herein.

### **Part 1: Selection of Targeted Companies**

This study targeted companies that are global leaders in sustainability reporting in each industry sector. Companies were identified for each industry sector on the basis of their:

1. inclusion in the Hang Seng Corporate Sustainability Series<sup>31</sup>, Dow Jones Sustainability Indices<sup>32</sup> or the FTSE4GOOD Index Series<sup>33</sup> and
2. preparation of a stand-alone Sustainability Report using the GRI G3.1 standards in 2012 or 2013.

The information and analysis in this Report was divided into the following eight industry sectors: (1) Financial Services, (2) Properties & Construction, (3) Consumer Goods, (4) Industrial Goods, (5) Utilities, (6) Telecommunications, (7) Information Technology, and (8) Conglomerates. These industries were chosen on the basis of having the highest representation on the Main Board of the Hong Kong Stock Exchange. Companies selected for review and analysis were then assigned to an industry sector based on the Hang Seng Industry Classification System.<sup>34</sup> Table 4 shows the number of companies analysed within each Industry Sector.

**Table 4: Number of Companies Analysed by Industry Sector**

Industry Sector	Total # of Companies Analysed
Financial Services	15
Properties & Construction	11
Consumer Goods	17
Industrial Goods	8
Utilities	9
Telecommunications	6
Information Technology	7
Conglomerates	15
Total	88

### **Part 2: Method of Assessment**

The most recent publicly available Sustainability Report of each company that met the above criteria was reviewed to determine which of the HKEx KPIs were referenced in their respective Reports.

To facilitate this analysis and provide context, each HKEx KPI was matched with its corresponding GRI 3.1 indicator. Next, the GRI Content Index included in each company's most recent Sustainability Report was reviewed to identify which GRI 3.1 indicators and corresponding HKEx KPIs were addressed and disclosed. For HKEx KPI's for which there was no exact match, those GRI 3.1 indicators that most closely corresponded to the HKEx KPI were used.

In three cases, there was no GRI 3.1 indicator that closely corresponded to the HKEx KPI: (i) KPI C1.1,

31 The Hang Seng Corporate Sustainability Index Series ("HSSUS") includes HKEx-listed companies with outstanding sustainability performance, as measured by the Hong Kong Quality Assurance Agency ("HKQAA"), an independent and professional assessment body, with its own research methodology and process. For further details, see: [www.hsi.com.hk/HIS-Net/HIS-Net](http://www.hsi.com.hk/HIS-Net/HIS-Net)

32 The Dow Jones Sustainability Indices ("DJSI") track the stock performance of the world's leading companies in terms of economic, environmental and social criteria. It uses a "best-in-class" approach and includes only companies that fulfill certain sustainability criteria better than the majority of their peers. The DJSI is broken down by industry and region. Because access to the DJSI is limited, only those companies that were (i) identified by the DJSI as 2013-2014 Sustainability Industry Group Leaders, or (ii) within the top ten companies on the DJSI's Regional Sustainability Indices were considered for inclusion in this analysis. For further detail,

see [www.sustainability-indices.com/images/130912-djsi-review-2013-en-vdef\\_tcm1071-372482.pdf](http://www.sustainability-indices.com/images/130912-djsi-review-2013-en-vdef_tcm1071-372482.pdf) and <http://djindexes.com/sustainability/?go=literature>

33 The FTSE4Good Index Series are created by FTSE International Limited ("FTSE") and Ethical Research Services ("EIRIS") Limited or their agents and have been designed to objectively measure the performance of companies that meet globally recognised corporate responsibility standards. Because access to the full FTSE4Good Indices is limited, only those companies that were included in the top five companies within each sector on the FTSE4Good ESG Ratings Leaders List were considered for inclusion in this analysis. For further detail, see [www.ftse.com/Indices/FTSE4Good\\_ESG\\_Ratings/Downloads/FTSE\\_ESG\\_Leaders\\_March\\_13.pdf](http://www.ftse.com/Indices/FTSE4Good_ESG_Ratings/Downloads/FTSE_ESG_Leaders_March_13.pdf)

34 See [www.hsi.com.hk/HIS-Net/static/revamp/contents/en/dl\\_centre/brochures/HSICS\\_E.pdf](http://www.hsi.com.hk/HIS-Net/static/revamp/contents/en/dl_centre/brochures/HSICS_E.pdf)



Number of suppliers by geographical region, (ii) KPI C 2.1, Percentage of total products sold or shipped subject to recalls for health and safety reasons, (iii) KPI C 2.3, Description of practices relating to observing and protecting intellectual property rights. For these KPIs, each company's sustainability and/or annual report was reviewed in more detail to determine whether it included the information requested by the relevant KPI.

A spreadsheet was compiled recording each company's disclosure of each KPI. If a KPI was fully reported on, it was recorded as "Y" for Yes. If a KPI was partially reported on (for example where a Sustainability Report included some, but not all of the information requested in the KPI), it was recorded as "Y (partial)." "N" for no was recorded if the KPI was not reported on or missing entirely.

A materiality assessment for each KPI was developed based on the number of companies within each sector that reported on each KPI Report utilising the following formulas:

- Where 75% or more of companies analysed reported in full or partially: High Reporting Rate – deemed material for reporting in that sector.
- Where 50 to 75 % of companies analysed reported in full or partially: Medium Reporting Rate – materiality will depend on circumstances in that sector.
- Where less than 50% of companies analysed reported: Low Reporting Rate - may not be a relevant KPI for reporting in that sector.
- In some cases the level of materiality was determined with reference to full sustainability reports, annual reports, and/or the practical experience of the Handbook Working Group. These cases are marked in the relevant tables.

### **Part 3: Constraints**

This analysis is subject to a number of constraints.

No review or assessment of the quality of the Sustainability Reports included in this study was undertaken in connection with this Handbook. Nor were the Sustainability Reports reviewed for third-party assurance. In addition,

no investigation was undertaken to determine whether companies included in this study have in place appropriate processes and procedures to determine materiality or engaged in a materiality assessment in connection with the preparation of their Sustainability Report.

Lack of availability of data resulted in small sample sizes within some of the industry sectors, which may skew results. Analysis was limited to companies with publicly available reports. Further, this analysis did not cover companies that report on ESG issues in their annual reports only and do not publish a stand-alone Sustainability Report.

Moreover, because companies were selected on the basis of their inclusion in the HSSUS, DJSI, or FTSE4Good indices, all companies analysed are fairly large. Companies that do not meet the inclusion requirement for those indices were not referenced in this analysis and may, although not necessarily, report differently.

### **Part 4: Assumptions**

The analysis contained herein assumes the following:

- That a high level of disclosure of a certain KPI among the companies included in this study indicates that the KPI is "material" for purposes of reporting.
- That those companies included on the HSSUS, DJSI, or the FTSE4Good Indices are leaders in Sustainability Reporting and engaged in a materiality assessment in connection with their Sustainability Report.
- That ESG disclosure practices of those companies included on the HSSUS, DJSI, or the FTSE4Good Indices provide meaningful guidance to companies operating in China and listed on HKEx.
- That companies disclose their ESG information not only through the current sustainability report, but also through other means – however, company websites and more dated sustainability reports were not reviewed as part of this exercise.



# 6

## Further Information

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### HKEx ESG Guidance

#### **Appendix 27: Environmental, Social and Governance Reporting Guide**

*Available at [www.hkex.com.hk/eng/rulesreg/listrules/mbrules/documents/appendix\\_27.pdf](http://www.hkex.com.hk/eng/rulesreg/listrules/mbrules/documents/appendix_27.pdf)*

#### **Steps for ESG Reporting**

*Available at [www.hkex.com.hk/eng/rulesreg/listrules/listsptop/esg/Documents/reportingstep.pdf](http://www.hkex.com.hk/eng/rulesreg/listrules/listsptop/esg/Documents/reportingstep.pdf)*

#### **HKEx Draft ESG Reporting Guide – Toolkit**

*Available at [www.hkex.com.hk/eng/rulesreg/listrules/listsptop/esg/Documents/toolkit.xls](http://www.hkex.com.hk/eng/rulesreg/listrules/listsptop/esg/Documents/toolkit.xls)*

#### **ESG Training Webcasts (2014)**

*Available at [www.hkex.com.hk/eng/rulesreg/listrules/listsptop/esg/training\\_2014.htm](http://www.hkex.com.hk/eng/rulesreg/listrules/listsptop/esg/training_2014.htm)*

*Other online ESG training materials provided by HKEx are available here: [www.hkex.com.hk/eng/rulesreg/listrules/listsptop/esg/index.htm](http://www.hkex.com.hk/eng/rulesreg/listrules/listsptop/esg/index.htm)*

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## Other ESG Resources and Initiatives

Acronyms	Full names	Definitions	Links
<b>AA1000</b>	Account-Ability 1000	AA is an independent, global, non-profitable organisation promoting accountability, sustainable business practices and corporate responsibility. AA1000 are principles-based standards to help organisations become more accountable, responsible and sustainable.	<a href="http://www.accountability.org/standards/">www.accountability.org/standards/</a>
<b>BITC</b>	Business in the Community – Corporate Responsibility (CR) Index	BITC is a business movement committed to transform business and communities. The BITC CR Index provides a robust framework to help companies systematically measure, manage and integrate responsible business practice to mainstream business operations.	<a href="http://www.bitc.org.uk/our-services/benchmarking/cr-index">www.bitc.org.uk/our-services/benchmarking/cr-index</a>
<b>CDP</b>	CDP	CDP, based in the United Kingdom, is an international, non-profit organisation providing a global system for companies and cities to measure, disclose, manage and share Carbon, Water, and Global Forests information.	<a href="http://www.cdp.net/en-US/Pages/HomePage.aspx">www.cdp.net/en-US/Pages/HomePage.aspx</a>
<b>DJSI</b>	Dow Jones Sustainability Indices	The Dow Jones Sustainability Indices (“DJSI”) track the stock performance of the world’s leading companies in terms of economic, environmental and social criteria. It uses a “best-in-class” approach and includes only companies that fulfill certain sustainability criteria better than the majority of their peers. The DJSI is broken down by industry and region.	<a href="http://www.djindexes.com/literature/">www.djindexes.com/literature/</a>
<b>FTSE-4Good</b>	FTSE4Good ESG Ratings	FTSE4Good ESG Ratings have been designed to objectively measure the Environmental, Social and Governance (“ESG”) risk and performance of companies worldwide. Supersector-relative ratings across six ESG themes track over 2,400 public companies, making FTSE4Good ESG Ratings a valuable tool for investors who wish to incorporate ESG factors into their investment decision making processes, or as a framework for corporate engagement and stewardship.	<a href="http://www.ftse.com/Indices/FTSE4Good_ESG_Ratings/">www.ftse.com/Indices/FTSE4Good_ESG_Ratings/</a>
<b>GRI</b>	Global Reporting Initiative	<p>The Global Reporting Initiative is an independent, non-profit organisation that develops and disseminates Sustainability Reporting Guidelines. GRI’s mission is to make sustainability reporting standard practice for all companies and organisations. Its framework is a reporting system, developed in collaboration with stakeholders, that provides metrics and methods for measuring and reporting sustainability-related impacts and performance.</p> <p>In 2013, GRI released an updated version of its sustainability reporting framework, known as the G4 Framework.</p>	<a href="http://www.globalreporting.org/Pages/default.aspx">www.globalreporting.org/Pages/default.aspx</a>



Acronyms	Full names	Definitions	Links
<b>HSSUS</b>	Hang Seng Corporate Sustainability Index Series	The Hang Seng Corporate Sustainability Index Series (“HSSUS”) includes HKEx-listed companies with outstanding sustainability performance, as measured by the Hong Kong Quality Assurance Agency (“HKQAA”), an independent and professional assessment body, with its own research methodology and process.	<a href="http://www.hsi.com.hk/HSI-Net/HSI-Net">www.hsi.com.hk/HSI-Net/HSI-Net</a>
<b>IIRC</b>	The International Integrated Reporting Council	The IIRC is a global council on integrated reporting that is comprised of a coalition of regulators, investors, companies, standard setters, the accounting profession and NGOs. Its mission is to enable integrated reporting to be embedded into mainstream business practice in the public and private sectors. It believes that the cycle of integrated thinking and reporting will result in efficient and productive capital allocation and act as forces for financial stability and sustainability.	<a href="http://www.theiirc.org/">www.theiirc.org/</a>
<b>ISO</b>	International Organisation for Standardization: 26000	ISO is the world’s largest developer of voluntary International Standards. In 2010, ISO launched its Social Responsibility - 26000 standard following five years of negotiations between many different stakeholders across the world. The SR 26000 standard provides specific guidance on how businesses and organisations can operate in a socially responsible way.	<a href="http://www.iso.org/iso/home/standards/iso26000.htm">www.iso.org/iso/home/standards/iso26000.htm</a>
<b>OECD</b>	The Organisation for Economic Co-operation and Development-guidelines for Multinational Enterprises	The OECD promotes policies that will improve the economic and social well-being of people around the world. The OECD Guidelines for Multinational Enterprises are a set of government-backed recommendations on responsible business conduct.	<a href="http://www.oecd.org/corporate/mne/35150230.pdf">www.oecd.org/corporate/mne/35150230.pdf</a> ; see also: <a href="http://www.oecd.org/daf/inv/corpora-teresponsibility/">www.oecd.org/daf/inv/corpora-teresponsibility/</a>
<b>SAI SA8000</b>	Social Accountability International SA 8000	The SAI is a non-governmental, multi-stakeholder organisation whose mission is to advance the human rights of workers around the world. SAI has promulgated SA8000, an auditable certification standard encouraging organisations to develop, maintain, and apply socially acceptable practices in the workplace. The SA8000 standard is applicable to any company worldwide, across all industrial sectors with the exception of the maritime one.	<a href="http://www.sa-intl.org/index.cfm?fuseaction=Page.ViewPage&amp;PageID=937">www.sa-intl.org/index.cfm?fuseaction=Page.ViewPage&amp;PageID=937</a>
<b>SASB</b>	Sustainability Accounting Standards Board	The Sustainability Accounting Standards Board (“SASB”) is a non-profit organisation engaged in the creation and dissemination of sustainability accounting standards for use by publicly-listed corporations in disclosing material sustainability issues for the benefit of investors and the public. SASB envisions a world where all forms of capital are accounted for and managed.	<a href="http://www.sasb.org/">www.sasb.org/</a>
<b>UNGC</b>	United Nations Global Compact	The UN Global Compact is a strategic policy initiative for businesses that are committed to aligning their operations and strategies with ten universally accepted principles in the areas of human rights, labour, environment and anti-corruption. By doing so, business, as a primary driver of globalization, may help ensure that markets, commerce, technology and finance advance in ways that benefit economies and societies.	<a href="http://www.unglobalcompact.org">www.unglobalcompact.org</a>



## About BEC

Business Environment Council Limited ("BEC") is an independent, non-profit membership organisation, established by the business sector in Hong Kong. Since its establishment in 1992, BEC has been at the forefront of promoting environmental excellence by advocating the uptake of clean technologies and practices which reduce waste, conserve resources, prevent pollution and improve corporate environmental and social responsibility. BEC offers sustainable solutions and professional services covering advisory, research, assessment, training and award programmes for government, business and the community, thus enabling environmental protection and contributing to the transition to a low carbon economy.



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