# Hong Kong Institute of CPAs

# Best Corporate Governance and ESG Awards 2023

## Judges' Report

CPA
Hong Kong Institute of
Certified Public Accountants
香港會計師公會

50th Anniversary

# 2023最佳企業管治及ESG大獎
# Best Corporate Governance and ESG Awards

**The Hong Kong Institute of Certified Public Accountants wishes to express its gratitude to the following financial sponsors for their support of the Best Corporate Governance and ESG Awards 2023.**

** All sponsors are listed in alphabetical order.*

# 2023最佳企業管治及ESG大獎
# Best Corporate Governance and ESG Awards

## Most Sustainable Companies/ Organizations Awards

### Hang Seng Index Category

| | |
|---|---|
| Platinum | CLP Holdings Limited |
| Gold | HSBC Holdings plc |
| Special Mention | Hong Kong Exchanges and Clearing Limited |
| Special Mention | Link Real Estate Investment Trust |
| Special Mention | MTR Corporation Limited |

### Non-Hang Seng Index (Large Market Capitalization) Category

| | |
|---|---|
| Platinum | Prudential plc |
| Gold | Standard Chartered PLC |

### Non-Hang Seng Index (Medium Market Capitalization) Category

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|---|---|
| Platinum | The Hongkong and Shanghai Hotels, Limited |
| Gold | Pacific Basin Shipping Limited |
| Special Mention | Hang Lung Group Limited |

### H-share Companies and Other Mainland Enterprises Category

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|---|---|
| Gold | Lenovo Group Limited |

### Public Sector/Not-for-profit Organizations (Large) Category

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|---|---|
| Gold | Airport Authority Hong Kong |

# 2023最佳企業管治及ESG大獎
# Best Corporate Governance and ESG Awards

## CG Awards

### Hang Seng Index Category

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|---|---|
| Award | Chow Tai Fook Jewellery Group Limited |

### Non-Hang Seng Index (Medium Market Capitalization) Category

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| Award | Hysan Development Company Limited |

### Non-Hang Seng Index (Small Market Capitalization) Category

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| Special Mention | China Everbright Greentech Limited |
| Special Mention | Transport International Holdings Limited |

### H-share Companies and Other Mainland Enterprises Category

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|---|---|
| Award | AAC Technologies Holdings Inc. |

### Public Sector/Not-for-profit Organizations (Large) Category

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|---|---|
| Award | Securities and Futures Commission |

### Public Sector/Not-for-profit Organizations (Small and Medium-size) Category

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|---|---|
| Special Mention | Mandatory Provident Fund Schemes Authority |

# 2023最佳企業管治及ESG大獎
# Best Corporate Governance and ESG Awards

## ESG Awards

### Hang Seng Index Category

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|---|---|
| Award | The Hong Kong and China Gas Company Limited |
| Special Mention | AIA Group Limited |
| Special Mention | Sands China Ltd.* |

### Non-Hang Seng Index (Large Market Capitalization) Category

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|---|---|
| Award | Swire Pacific Limited |
| Award | Swire Properties Limited |
| Special Mention | Cathay Pacific Airways Limited* |

### Non-Hang Seng Index (Medium Market Capitalization) Category

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|---|---|
| Award | Kerry Properties Limited |
| Award | VTech Holdings Limited |

### Non-Hang Seng Index (Small Market Capitalization) Category

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|---|---|
| Special Mention | Landsea Green Management Limited |

### H-share Companies and Other Mainland Enterprises Category

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|---|---|
| Special Mention | Alibaba Group Holding Limited* |
| Special Mention | COSCO SHIPPING Ports Limited |
| Special Mention | Geely Automobile Holdings Limited* |
| Special Mention | JD Logistics, Inc.* |
| Special Mention | Tencent Holdings Limited |

### Public Sector/Not-for-profit Organizations (Large) Category

| | |
|---|---|
| Award | Hong Kong Monetary Authority* |

* New awardee

# Introduction

## *Background*

The Hong Kong Institute of Certified Public Accountants (the Institute / HKICPA) is proud to be organizing the Best Corporate Governance and ESG Awards (Awards / BCG & ESGA), previously known as Best Corporate Governance Awards, which were launched in 2000. The Awards were renamed and refocused in 2021 in order to reflect the increasing importance of effective environmental, social and governance (ESG) reporting and practices, in addition to good CG, for listed companies and public sector / not-for-profit organizations, and their investors and stakeholders.  This year, we are celebrating the 50th anniversary of the establishment of the Institute and 24th year of organizing the Awards. So, the Awards have been a flagship programme for approaching half of the life of the HKICPA.

The Awards focus on the need for companies[i] to achieve high standards of both CG and ESG, and to encourage them to integrate these two aspects of their performance.

For listed companies, they are seen as being an objective and rigorous assessment of the CG and ESG practices and information disclosure of companies of all different sizes, and in various sectors, as well as being a good reflection of their underlying culture. It is pleasing to see, therefore, that, over the years, the winners have consistently regarded the recognition that they have received by winning an award in BCG & ESGA as a significant achievement and accolade.

This year, there were again four main types of awards available to be given out:

<table>
<tr><th colspan="2">1. Most Sustainable Companies / Organizations (MSCO) Awards</th></tr>
<tr><td colspan="2"><ul><li>The MSCO Awards aim to reflect “sustainability” in its broadest sense, not merely focusing on ESG. This highest category of awards gives recognition to companies that have performed to a high standard in both CG and ESG, and that are taking steps to integrate these two elements into their values, strategies and operations. They are more likely to be prepared for the challenges ahead and have a clear vision for long-term success, as well as strategies to help implement that vision.</li><li>Four levels of awards were available to be given out, namely, Diamond, Platinum and Gold Awards, as well as Special Mentions.</li><li>For the shortlisted companies that performed to a high standard in either CG or ESG, but still had more to do in terms of integration and bringing both aspects up to an equivalently high level, separate CG or ESG awards, see below, could be given out.</li></ul></td></tr>
<tr><th>2. CG Awards</th><th>3. ESG Awards</th></tr>
<tr><td>Two levels of Awards were available, namely, Corporate Governance Award and Special Mention.</td><td>Two levels of Awards were available, namely, ESG Award and Special Mention.</td></tr>
<tr><th colspan="2">4. Self-Nomination Awards for Good Corporate Governance/ ESG Practices</th></tr>
<tr><td colspan="2">Targeted at companies in the small market capitalization category and public sector / not-for-profit organizations, these awards give them the opportunity to make known their progress in CG and / or ESG.</td></tr>
</table>

[i] In this report, the terms “company” and “companies” may be used to cover both listed companies and public sector / not-for-profit organizations, unless the context indicates otherwise. In the detailed commentaries on the award winners, references to “company” may also include references to the listed group.

The Institute as always wishes to express its gratitude for the continuing support from the Hong Kong SAR Government, financial services regulators, investor groups, and the business, academic and professional communities. This year again, we also invited financial sponsorship and our sincere thanks go to all our financial sponsors, as well as our media sponsors and supporting organizations. The Institute would also like to thank the companies that submitted applications or otherwise allowed their CG and ESG to be reviewed, for their participation in the Awards.

## Objective

The Awards aim to (i) encourage companies to focus on both CG and ESG, and to integrate these two aspects into their values, strategy and operations to support their long-term sustainability, (ii) establish benchmarks of CG and ESG best practices in Hong Kong and (iii) encourage more companies to refer to those benchmarks and improve their own overall CG and ESG standards. Primarily through disclosures in annual reports and sustainability reports[ii], the reviewers and judges seek to identify those companies that have firmly established good governance and sustainable practices.

## Categories and Judging Criteria

Candidates contest the above awards in the following categories:

- Listed companies

Main Board
- ❖ Hang Seng Index (HSI)-constituent companies

Main Board or Growth Enterprise Market (GEM)
- ❖ Non-HSI-constituent large, medium and small companies
- ❖ H-share companies and other Mainland enterprises[iii]

- Public sector / Not-for-profit organizations
  - ❖ large organizations
  - ❖ small and medium-sized organizations

[ii] The terms “sustainability report” or "ESG report" is used generally for reports that some companies may call by other names, e.g. “corporate social responsibility report” or "sustainable development report".

[iii] The H-share companies and other Mainland enterprises category covers companies that have H-shares listed in Hong Kong, and other Mainland enterprises, based on specific criteria, including those in the Hang Seng Mainland 100 Index.

## Reviewing and Judging Procedures 2023

This year, the Institute's initial screening covered over 200 annual reports and the same number of sustainability reports.

With the assistance of a group of post-graduate university students, the Awards' Organizing Committee members and management staff from the Institute's Advocacy and Practice Development Department (APD) filtered out those companies whose CG or ESG reporting standards, in terms of voluntary additional disclosures and practices, were not sufficiently high in key areas for them to be considered for further review. Subsequently, a more in-depth analysis of the remaining companies' CG and / or ESG performance was conducted by an expert panel of reviewers. A short list of possible winners, in the various different categories, was then drawn up and submitted to a distinguished panel of judges for final evaluations and decisions.

The work of the reviewers included the following:

1. MSCO Awards

   ❖ Identifying companies that demonstrated an outstanding performance in both 2 and 3 below, and considering whether they were taking steps to integrate the two elements, then short-listing the best for the judges' final assessment in the MSCO section of the Awards.

2. CG review

   ❖ Conducting detailed reviews of CG information in annual reports to draw up a short list of companies for possible consideration under 1 (MSCO awards), subject to their scores in the ESG review, or for recognition in the separate CG Awards section of the competition, based on the results of two rounds of "quality reviews" and a "compliance review".

   ❖ Carrying out a compliance review on those companies short-listed after a second round of quality reviews, to confirm their compliance with the mandatory CG- and ESG-related disclosure requirements under the Companies Ordinance (Cap. 622) and the Listing Rules, including the mandatory disclosure requirements under the Corporate Governance Code (CG Code - Appendix 14 of Main Board Listing Rules (MBLR) and Appendix 15 of the GEM Listing Rules (GEMLR)).

3. ESG review

   ❖ Conducting detailed reviews of information disclosed in sustainability reports (either standalone reports or the relevant sections in annual reports) to draw up a short list of companies for possible consideration under 1 (MSCO awards), subject to their scores in the CG review, or for possible recognition in the separate ESG Awards section, based on the results of two rounds of quality reviews. ESG reviewers were also requested to check whether the companies were in compliance with the mandatory disclosure requirements under the Environmental, Social and Governance Reporting Guide (ESG Reporting Guide - Appendix 27 of the MBLR and Appendix 20 of the GEMLR).

4. Self-Nomination Awards

- ❖ Non-HSI-constituent (small market capitalization) companies and public sector / not-for-profit organizations were also invited to put themselves forward for consideration in the Self-Nomination Awards, on the basis of the quality of their overall CG / ESG regimes, including any recent developments in those aspects, and to highlight any particularly strong features of their voluntary disclosures and practices. In the next stage, an interview might be conducted to hear directly from short-listed applicants about their good CG and / or ESG practices.

After the review processes had been completed, an initial briefing session was held for the judges, before a final consolidated short list of candidates was put forward to the judging panel. The judges were provided with a comprehensive package of information to assist their evaluation process, including the results of the reviewers' detailed assessments and reviewers' and APD's observations on the short-listed candidates. After the judges submitted their individual evaluations and recommendations, final decisions were discussed and agreed in meeting of judges, and subsequently endorsed by all the judges, including those unable to join the meeting.

## Reviewing and Judging Considerations

The Awards focus mainly on voluntary information about companies' CG / ESG framework, policies and practices that demonstrably exceed the statutory and regulatory requirements and are indicative of a strong CG / ESG culture.

The reviewers and judges also take note of other publicly-available information, including news and media reports that may give further insights into how companies' CG / ESG regimes are being implemented in practice. They assess the scope and quality of CG / ESG-related information, standards and practices. They endeavour to gain insights into a company's performance and form an impression as to whether a good CG / ESG culture has been firmly established throughout the company. They also consider whether efforts have been made towards reviewing and further improving standards. Where applicable, they will assess the transparency and scope of relevant information contained in companies' annual or sustainability reports on matters of particular public interest or concern involving the relevant companies that may have been reported in the media.

# Commentaries

## Overall

1. The judges were pleased to be able to give out a record number of 34 awards in total, including a number of MSCO Awards, and separate awards for CG and ESG. Among these awardees, six are new ESG Award winners.

2. Annual and sustainability reports remained the main source of information for the assessments. In addition, the reviewers and judges also considered other publicly-available information about individual entities, such as media reports from reliable sources and public perceptions that could have a bearing on those companies' CG or ESG practices, and how any relevant issues were being addressed, including being disclosed in annual reports. The underlying objective was to evaluate whether a company's words and deeds are fully aligned with each other.

3. The MSCO Awards continued to be a principal focus, and something that distinguishes the BCG & ESGA from other CG / ESG awards, as it recognizes and encourages more integrated, "joined-up" thinking and reporting, which, in our view, will inevitably be the direction that companies will need to follow. That being said, at present it remains a challenge to identify a stream of new potential award winners, with outstanding performances in both CG and ESG, and which are clearly integrating good CG and ESG into their values, strategies and operations. While we have observed a growing number of companies strengthening their ESG practices and disclosures, we have also noticed a certain plateauing effect in terms of improvements in standards of CG. From the Institute's perspective, in the rapidly changing environment in which we live, it is impossible to envisage a company geared up for long-term sustainability that does not espouse good CG and ESG practices.

   We applaud the winners in the MSCO Awards category, most of which will be familiar names that have continued to raise their game, as expectations and regulatory requirements have continued to develop. They generally have clear targets and integrate high standards of CG and ESG into their modus operandi. Their CG and sustainability reporting includes comprehensive, relevant and clear information. We look for more companies to follow in their footsteps.

   Given the high expectations and the rigorous standard set by these Awards, even for the winners, the judges felt that there were still some areas where they could strive for greater heights and add to their already commendable achievements and, therefore, this year again the top-level MSCO Diamond Awards remained elusive. It is a moving target and a performance that might have won a Diamond Award a few years ago will not necessarily win one today. Perspectives are changing in relation to CG matters such as long-serving board members, the independence of independent non-executive directors (INEDs) and board diversity; and, in relation to ESG reporting, matters such as the setting of more quantitative targets and interim targets and clear reporting of progress, whether positive or negative, as well as clarity around sustainability governance.

4. With the bar raised for all companies, MSCO candidates frequently demonstrate early adoption of new benchmarks and may implement practices that exceed the new requirements. While more companies have made commendable efforts to improve their ESG disclosures and practices, boards should continue to give equal attention to maintaining and reinforcing their CG practices.

   Best practices require, among other things, the right tone from the top, a corporate culture that ensures the board's vision and values permeate throughout the company, a like-minded senior management willing and able to execute strategies that reflect good CG and ESG practices; and skilled personnel to translate this into the daily operations of the business and who are, at the same time, encouraged to give their feedback on changing circumstances at the operational and business level - including emerging risks, roadblocks, and opportunities. Therefore, it requires good coordination and communication throughout different layers of the company.

5. In relation to the separate sections for CG and ESG Awards, while winning an award is a commendable achievement in itself, because standards are exacting in all parts of this competition, to avoid any confusion, we would clarify that winning an award in either of these sections does not necessarily equate to having the best overall CG or ESG in that category, because, in most of the categories, the best performers, overall may well have gone through to the MSCO section of the Awards.

   As regards the processes involved to reach the final stage in all sections of the Awards, candidates needed to go through a filtering process, encompassing an initial vetting exercise, followed by two rounds of detailed reviews of their CG and ESG, before being short-listed for the judges' consideration and final decisions. While the candidates with the best performances in both CG and ESG were short-listed in the MSCO Awards section, those assessed to be performing well in one of these areas were put forward for consideration in either the CG or ESG Awards sections, as appropriate. In some specific categories, the judges considered that no candidates, or only a single candidate, were able to achieve the requisite standard.

   Where a candidate short-listed in the MSCO Awards at the review stage was subsequently deemed by the judges not to have met the necessary standards for this section, it might instead be considered for an award in a either the separate CG or ESG sections. In the situation where a company that had been short-listed in both the CG and ESG sections, without initially being considered to have reached the bar for the MSCO section, the judges were invited to consider again whether a Special Mention in the MSCO Awards section should instead be awarded.

6. The reviewers and judges were not able to identify any MSCO awardees in the categories for non-HSI (small market capitalization) companies and public sector / not-for-profit organizations (mid to small). While this is disappointing, it may not be surprising, as these entities may not have sufficient resources or expertise to upgrade their CG and ESG practices to the level required to be considered in the MSCO section.

7. For the time being, as noted earlier, the highest level of recognition in the MSCO Awards remains aspirational, as the journey to achieving the best practices in both CG and ESG and integrating them into the companies' values, strategy and operations is not straightforward, and takes time. The objectives of the MSCO Awards include identifying companies that demonstrate a clear commitment to making that journey, and drawing the attention of all companies as to what may also be expected of them in the future.

## Corporate Governance

8. The situation in Hong Kong could be better in terms of its CG progress and development, as performances overall appear to have plateaued. It has been observed previously that Hong Kong has some of Asia's strongest investor protection rules, yet it remains overly cautious about modernizing board governance. This is reflected in the fact that, ultimately, only a small number of CG candidates reached the short list in the judging stage. Family businesses and concentrated ownership seemed to impede CG development, with, for example, relatively slow board refreshment.

   The Institute has previously advocated the setting up of a high-level "Corporate Governance Policy Unit" to lead and coordinate policy formulation for a strong CG framework (https://www.hkicpa.org.hk/en/Thought-leadership/Corporate-governance-and-sustainability/Corporate-Governance-Publications#y). We suggested that there needs to be a discussion among stakeholders as to the overarching objectives that should drive the development of the Hong Kong market. We consider this to be even more important now, with Hong Kong Exchanges and Clearing Ltd. (HKEX) recently conducting a consultation on reform of the GEM listing market and a number of measures being proposed in the Chief Executive's Policy Address to increase the liquidity of the market generally.

9. In this and past years' Awards, it was found that a number of boards have a substantial proportion of long-serving NEDs and INEDs with a relatively high average age, and the number of female directors, overall, is still low and quite static in Hong Kong. In general, the terms of long-serving NEDs and INEDs tend to be renewed, without sufficient explanations being provided in annual reports. Some boilerplate reasons may be provided, e.g. the directors concerned are still able to provide the board with independent views.

10. Understandably, there may be a reluctance for boards of family businesses to step out of their comfort zone, but in the long run, facilitating a greater diversity of viewpoints can improve the sustainable development of the business. In addition, a question mark hangs over the true independence of INEDs who stay on boards for many years, which is why the CG Code (Provision B.2.3) requires an explanation, in papers provided to shareholders, of why a particular INED is still believed to be independent after serving over 9 years.

    Such information should also be made available in annual reports, to provide users with a better understanding of companies' governance and culture. This information could include, for example, make reference to any unique and positive contribution that a particular long-serving INED continues to make. Although further information should be provided in separate circulars, at least a link to relevant circulars should be provided in the report, if not a summary or repeat of the key information. The annual report remains a vital document for communicating with stakeholders.

    Introducing fresh INEDs onto a board, and expanding its diversity, offers opportunities for entirely new perspectives to be considered, which should be an advantage in a dynamic business environment with markets that continue to develop and evolve in new and unexpected directions.

11. INEDs are expected to bring an independent view to board discussions and strategy oversight. However, in Hong Kong, in practice, they are often appointed by and accountable to the controlling shareholders, families, and nomination committees that they are intended to supervise. These directors may not engage with shareholders as often as they would in other markets in the region. We would encourage more companies to show leadership by including a lead INED or accessible independent chairman in their governance structure.

12. It appears that many listed companies are facing the common issue of "over-boarding", which refers to directors serving on more than five boards according to our marking criteria for listed companies. These companies generally do not address this matter in their annual reports, despite its significance. Over-boarding directors may not be able to contribute substantially to the effective functioning of all the boards they serve on. Companies need to provide specific disclosures about the reasons for appointing over-boarding directors, such as how their unique expertise or exposure benefit the company, and how it can be verified that those directors can devote sufficient time to the work of the company's board.

    Furthermore, we faced difficulties in determining the tenure of directors on the board, without manually calculating the number of years served by each director, starting from their first appointment date to the publication date of the latest annual report. It would greatly benefit readers if companies could voluntarily provide such statistics in their annual reports, to facilitate accessing the relevant information.

13. It seems that many companies do not make meaningful disclosures on their board diversity policies. Amongst other gaps, while companies are required to disclose measurable targets, these are often not evident in their reports. Instead, we may find boilerplate statements stating, for example, that the board members are sufficiently diversified to contribute to the development of the company.

    With ESG being an important element considered by more and more investors in making their investment decisions, and also by other stakeholders that have an interest in seeing businesses being run in a sustainable manner, it can be expected that companies will be held accountable on all matters related to diversity, including gender representation. Meanwhile, there are studies indicating that appropriate gender diversity on boards can encourage better leadership, better CG and, ultimately, help increase corporate performance and competitiveness.

14. Over the past few years we have highlighted areas of CG for improvement. While they remain valid, we will not repeat them all as readers can look back at past judges' reports on the Institute's website at: https://www.hkicpa.org.hk/en/Thought-leadership/Corporate-governance-and-sustainability/Best-Corporate-Governance-and-ESG-Awards/Background. Some of the key points, including those mentioned above in relation to board independence and diversity are as follows:

a. Additional disclosures of reasons / rationale should be provided by the company if it determines that a proposed director is independent notwithstanding that the individual holds cross-directorships, or has significant links with other directors through involvements in other companies or bodies. Cross-directorships are generally not explicitly discussed in annual reports. Although they may be able to be identified by looking at the directors' biographies section of the report, this information may be lengthy and not easy to retrieve or decipher. Instead of looking at this section, it would be helpful if a company indicates whether there are cross-directorships on its board.

b. Most short-listed candidates reviewed their risk management and internal control system at least annually. While we observed that more information was provided about specific areas of review, there was still a lack of detailed disclosures on the nature of issues uncovered, if any, and measures that had been or would be taken to address these. In the majority of cases, there was simply a statement that the board was satisfied that the risk management and internal control system were operating effectively. While there may be a balance to be struck between being more transparent with readers of the annual report and disclosing operational information that could be sensitive, pertinent information could be generalized or summarized and still remain useful.

c. While it seems that more companies indicated that they had performed board evaluations, the disclosure of the process involved tended to be rather boilerplate. More information on, for example, the scope of evaluations, questions asked, general findings and recommendations, would be helpful. When it comes to sensitive topics, companies may opt for a more generalized approach in their reporting.

d. The information on appointments and resignations of directors does not seem to be sufficient. To enhance transparency, some pertinent information should be provided as to why a particular appointment was made. This applies equally to directors appointed by the government. Public sector organizations (PSOs) also need to be more transparent about this process, particularly given that many of these organizations are partly or wholly funded by public monies. Meanwhile, the rationale for directors' resignations was frequently lacking. Although such information should have been published in separate circulars, this should also be disclosed in annual reports, or a cross-references should be provided to the relevant circulars.

e. There seem to be a lack of discussion on succession planning generally. Discussion on plans for a smooth and progressive transition of the leadership and replacing long-serving INEDs with suitable candidates, can help to instil confidence, ensure stability, and allay possible concerns about disruption.

f. The composition of individual remuneration packages of directors and senior management are not always clear. We would reiterate that having such information in place would help to increase transparency and accountability, especially where remuneration is influenced by different components of corporate performance, including financial and non-financial performance, such as ESG factors. Companies should disclose information about targets and outcomes that contribute towards determining executive remuneration. It was observed that the majority of the companies and PSOs, in general, disclose only that their overall operational situation and the individuals' performance will be considered when devising incentive packages, without further details.

## Environmental, Social and Governance

15. A growing number of companies are able to set out their ESG vision, strategies and action plans and initiatives, and ensure that that they are in line with each other. Notably, the top-performing candidates often begin their reports with a concise summary that aligns these three crucial aspects. This summary serves as an introduction, setting the stage for subsequent discussions in the later sections of the report.

16. Against the background of the government's target to achieve carbon neutrality by 2050 and the accompanying regulatory push for enhanced ESG disclosures, as well as mounting pressure from institutional investors, including the asset management industry, to prioritize sustainable investments, a substantial number of those companies that passed the initial vetting stage of the Awards also successfully advanced through both the review and final judging stages of the standalone ESG awards.

17. Some common strengths and weaknesses were identified in their ESG reporting:

| Strength | Weakness |
|---|---|
| 1. More companies were able to establish clearer connections between their ESG vision, strategy and action plans. Summaries at the beginning of the relevant reports, often in the form of tables or diagrams, set the scene for further detailed discussions in the later sections of the report. This helped readers to further navigate the content of the reports. | 1. Most companies' reports tended to be positive. While some unfavourable statistics might be disclosed, the explanations for the changes were often not sufficient. Some companies tried to avoid negative reporting by, e.g., reporting that its carbon emissions had declined by a certain percentage compared with five years ago, even though the figure represented an unfavourable change compared with the immediately preceding year. |
| 2. More companies were able to disclose quantitative environmental KPIs, e.g. carbon emissions, water and energy usage, etc. This gives stakeholders greater assurance about the companies' environmental commitments. | 2. While we were pleased to see that more companies reported their Scope 3 emissions, most did not provide additional information in their reports, despite there being 15 possible categories of Scope 3 emissions.<br><br>We fully appreciate that reporting on Scope 3 emissions can be challenging for companies at this stage, due to the complex nature of value chains and the reliance on data from third parties. Gathering accurate and reliable data from suppliers and other stakeholders can be a significant undertaking. Additionally, there may be concerns about disclosing sensitive information or the potential complexity of calculating emissions across the entire value chain. However, efforts need to be made to explain what criteria have been adopted and what information gathered for the figure to be meaningful and verifiable. |

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| 3. An increasing number of companies incorporated ESG-related risks, including climate risks, into their risk management and internal control framework, e.g., an analysis of overall trends, impacts and the mitigating measures. In the past, these risks were often disclosed only in companies' sustainability reports, but more companies are now including this information in the risk reports in their annual reports as well. This reflects the reality that many ESG-related risks can no longer be considered in isolation from other strategic, financial, operational and compliance risks, and it represents a step in the direction of the increased integration of financial and non-financial, CG and ESG information. | 3. More information could be disclosed about how the KPIs were established, and where new quantitative targets were provided, if the original targets had already been met. More explanations should also be provided as to the reasons, where particular targets had not been achieved, instead of merely putting forward measures that would be implemented to meet the targets.<br><br>Although more companies disclosed targets to help achieve their ESG vision and strategies, many targets were still qualitative, particularly on the "social" aspects (i.e., the "S" in "ESG"), except for areas such as commitments to minimize workplace injuries.<br><br>In the absence of measurable indicators, stakeholders will find it hard to track whether companies are making real progress. While companies quite commonly provided some annual statistics, the changes occurring from year to year were often not explained; so stakeholders would be unable to grasp the full picture. |
| 4. There was again reasonable coverage of the stakeholder engagement process and materiality matrices, as well as analyses of stakeholders' concerns and how these concerns had been/ were being addressed. For the latter, there seemed to be a trend for readers to be referred to particular sections of the relevant reports for further information. As an individual section can extend to 20 or 30 pages, it would be better if the relevant page numbers could be cross-referenced to facilitate tracking of the relevant information. | 4. Many companies did not include much reporting on ESG-related opportunities in their reporting. Despite the growing importance of different ESG factors in the business environment, it appears that companies either have not taken a firm view on opportunities as well as risks, or, for other reasons, do not feel ready to disclose their ESG-related business opportunities.<br><br>Reporting on ESG opportunities involves highlighting the potential positive impacts and strategic advantages that arise from effectively managing ESG factors. By identifying and disclosing such opportunities, companies can indicate possible future directions and prospects, while demonstrating their commitment to sustainability, risk management, and long-term value creation. |

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| 5. In addition to fulfilling the requirements of the ESG Reporting Guide under the Listing Rules, it has been a common trend for companies to adopt, or refer to, other international standards, including those of the Global Reporting Initiative (GRI) and the recommendations of the Task Force on Climate-related Financial Disclosure (TCFD), and the United Nations Sustainable Development Goals (UN SDGs), in their sustainability reporting. Looking ahead, we would expect more companies starting to adopt the new International Sustainability Standards (ISS). This is likely especially given that the TCFD recommendations have now been absorbed into ISS and the TCFD has announced that it has completed its work and will transfer monitoring responsibilities to the International Sustainability Standards Board (ISSB), established under the International Financial Reporting Standards (IFRS) Foundation, starting in 2024. The establishment of ISSB was announced by the IFRS Foundation Trustees at COP26 in November 2021 and several other international corporate and sustainability reporting bodies have since given their support to it. | 5. While many companies set out their long-term targets to achieve net zero by 2050/ 2060, only a few also put in place short- and medium-term targets. Without interim targets, it is not clear how stakeholders, or indeed the companies themselves, can monitor progress towards achieving ultimate targets, or to distinguish genuine action plans from mere greenwashing. |
| | 6. Although the number of companies seeking ESG assurance has increased, the overall rate of assurance was still low. However the better-performing candidates, and larger companies generally, including HSI companies, were more likely to engage external independent consultants to assure different elements of their ESG data and information. This suggest that these latter groups see the value of having key data verified, either because this increases the credibility and reliability that stakeholders can attach to the relevant information and / or because assurance can stimulate the company itself to bring more discipline to its data gathering, analysis and management processes. |

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| | While obtaining ESG assurance adds to companies' costs and, potentially, the time they need to devote to compiling and checking the accuracy of their data, assurance of key data and information, especially when carried out by qualified accountants, using rigorous benchmarks, helps enhance the value of sustainability reports, while helping to dispel any concerns about possible greenwashing. |
| | 7. ESG assurance is still developing. Among those companies that engaged third party assurers, the scope of information being assured, the level of assurance, the benchmark(s) referred to, as well as the format of the assurance reports, could all vary, depending on the kind of assurer engaged and the assurer's background and practices. While, in principle, obtaining assurance is always a positive step for companies to take, it can sometimes be difficult for stakeholders to understand what procedures some assurers have undertaken to verify information, when, e.g., they quote an international standard without fully adopting it, using phrases such as "with reference to," "referencing," or "with regard to."<br><br>Looking ahead, the situation with regard to assurance standards should become less confusing in the same way as it should for sustainability reporting standards. The impetus for the latter has been the establishment of the ISSB and the promulgation of the first ISS, while an important development for ESG assurance, is the recent publication of a proposed International Standard on Sustainability Assurance 5000 (ISSA 5000) *General Requirements for Sustainability Assurance Engagements* by the International Auditing and Assurance Standards Board. This is a "profession-neutral", dedicated standard for sustainability assurance, which should help provide clarity and consistency in the future, aligning practices across different assurers. That said, once this standard is issued, qualified accountants will be regulated when they apply it when undertaking ESG assurance, which may not be the case for all other assurers. |

## Others

18. The assessment criteria were reviewed and updated again this year. Additional matters covered included:

    a. The CG checklist

    ➢ Directors should serve on only a limited number of company boards, otherwise they may not able given an adequate time commitment to each directorship and may be unable to discharge their duties properly.

    ➢ There should not be an excessive gap between the remuneration package of the chief executive officer (CEO) and the next highest paid executive in the company. Otherwise, this could create a perception of an over-concentration of power and influence in the hands of the CEO, making it harder to challenge the CEO's initiatives or decisions.

    b. The ESG checklist

    ➢ An additional focus area was whether companies have disclosed challenging yet attainable ESG-related quantitative targets, together with their actual performance over the years. The aim is to encourage more companies to discuss their progress and performance against measurable targets, rather than presenting generic boilerplate disclosures about their initiatives to combat climate change and address other ESG issues.

19. While several applications for the Self-Nomination Awards section of the competition were received this year, disappointingly, they were not able to demonstrate how their CG and / or ESG standards and practices clearly exceeded the minimum requirements. Therefore, we were unable to identify any candidates to go through to the next stage in this section of the Awards.

    For example, a candidate might have committed to expanding board diversity and to appointing a female director the following year but, in practice, this is a mandatory requirement for single gender boards; or a candidate might have indicated that it would put in place ESG targets but then did not set out any measurable targets.

20. ESG assurance research 2023

    This year, we updated our 2021 study on ESG Assurance, with the assistance of undergraduate student assistants to help with data gathering, and published the updated study, ESG Assurance in Hong Kong - An evolving landsacpe in November. The latest study looked at how the market is continuing to progress in the area of ESG assurance as well as certain important of aspects of reporting. This is important because, with the development of ISS, the Institute will become the standard setter for sustainability reporting in Hong Kong and is committed to promotion and capacity building in relation to various aspects of ESG reporting.

The study found that, among the 1,882 31 December 2022 year-end companies researched, there was an observable increase, with 141 (7.5%) of the companies adopting external assurance, compared with only 85 companies in 2021 (4.5%). While this increment can be considered moderate in absolute terms, in percentage terms it is more significant, albeit starting from a low base. For large-market-capitalization companies, however, the study found a much more substantial jump from just over 20% of companies to more than 41% obtaining some degree of assurance, i.e., more than double the percentage in the 2021 study, representing 57 out of 137 companies.

The slower take up of ESG assurance among the bulk of listed companies may be put down to a range of factors: (i) it is likely that some companies remain doubtful about the business case, i.e., the costs versus the benefits of assurance; (ii) at this stage, they may not have full confidence in their own ESG data analysis and collection processes to have the information assured; and (iii) it could also indicate that many companies are publishing ESG reports primarily to fulfil the disclosure requirements of HKEX, and for image reasons, in order to, at least, meet the minimum expectations of the market. The variety of international organizations issuing recommendations and guidance on sustainability reporting, or specific aspects of it, including climate-related disclosure, and the lack of a single set of harmonized international standards, which has been the position for a number of years, may also be a factor.

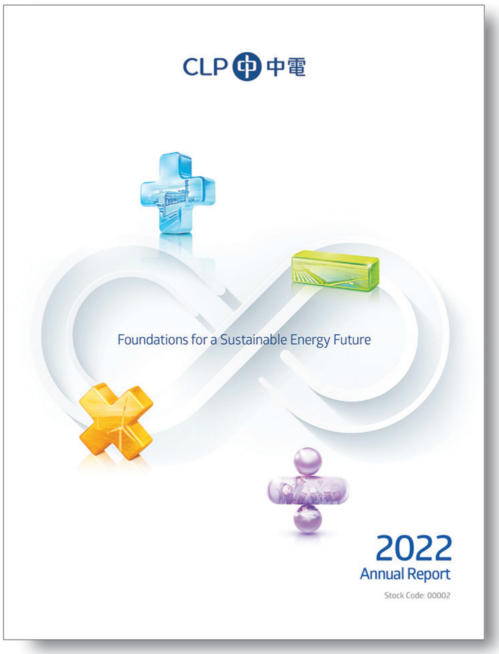
# Hang Seng Index Category

## MOST SUSTAINABLE COMPANIES PLATINUM AWARD

### CLP Holdings Limited

- Click here for the Annual Report
- Click here for the Sustainability Report

## Findings




1. CLP Holdings Limited (CLP) remains a leader in the market, demonstrating an exceptional performance in both CG and ESG aspects. "2022 At a Glance" page of the Annual Report helps the reader to understand the company's latest governance practices, including refreshing the board, board committees and subsidiary boards, enhancing board independence, and maintaining board diversity.

2. CLP's board diversity policy incorporates a number of aspects including nationality, age as well as length of service. It is further noted that the percentage of directors having served the board for over 10 years showed a slight decrease over the previous year; gender diversity (female representation) is at 36%, which is a high level amongst Hong Kong listed companies.

3. In relation to the appointment of a new INED who sits on several other boards, the company has provided a clear explanation. The Nomination Committee noted that he has a strong commitment to public service and service on listed companies and a commendable track record of attendance at general meetings, board meetings and board committee meetings of the other listed companies of which he is a director.

4. The company has transparent disclosures on remuneration policies and practices. Where certain performances fell below expectations, the Human Resources & Remuneration Committee decided to award a reduced performance outcome for 2022.

5. CLP has long incorporated sustainability in its business strategy. The company remains on track with its "Climate Vision 2050" commitments, under which it aims to phase out all existing coal-fired assets before 2040, cease investment in new coal-fired assets, and achieve net-zero greenhouse gas (GHG) emissions across its entire value chain by 2050. For example, CLP sold its 70% stake in the coal-fired Fangchenggang Power Station this year to provide the group with the capital to accelerate its investment in clean energy projects.

## Findings

6. CLP enhanced its double materiality assessment approach in 2022 to help identify and assess potential ESG impacts, risks and opportunities, which in turn are integrated into its risk management processes and strategic planning. The embedding of its sustainability governance into its CG further enhances such integration.

7. CLP is committed to ensuring, in all its activities and operations, the elimination of fatalities, life-altering injuries, and the occurrence of significant health, safety and environment events. It is noted that the group has been fatality-free for both employees and contractors over the past three years.


8. The Sustainability Report contains a good description of the reporting frameworks that it references. Limited assurance is provided by a third party on a selected set of ESG data, including group GHG emissions, Climate Vision 2050 – performance against targets; CLP Power Hong Kong – GHG emissions intensity of electricity sold, environmental compliance, resource use & emissions, fuel use, etc.

# Hang Seng Index Category

## MOST SUSTAINABLE COMPANIES GOLD AWARD

### HSBC Holdings plc

- Click here for the Annual/ ESG Report

## Findings


1. HSBC has fully integrated ESG practices, strategies and commitments into its operations, allocating large amounts of capital to achieving ESG goals and implementation.

2. All INEDs were appointed from 2016 to present, with the majority appointed between 2020-2022. It is noted that board approval is required for any NEDs' external commitments, with consideration given to their total time commitments and potential conflicts of interest.

3. There is well-presented and transparent disclosure of the background and previous experience of all relevant board directors, including INEDs, and senior management in the Annual Report. It is evident that none of the board members are serving on an excessive number of boards.

4. HSBC demonstrates clear and well-presented disclosures regarding the directors' remuneration policies. The bank has established relevant KPIs that play an important role in determining the remuneration of the directors, ensuring that remuneration is aligned with the performance and achievement of set targets.

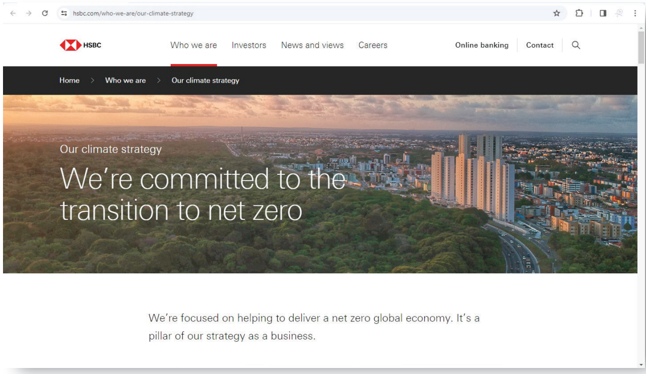
   There is a detailed discussion on determining executive directors (EDs)' outcomes. The underlying factors considered include group adjusted profit before tax, group lending growth, growth in net new invested assets, customer satisfaction, employee experience, etc.

5. The board has approved the establishment of an executive level ESG Committee to support senior management in the delivery of the group's ESG strategy and development of key policies.

   The ESG Committee also aims to track the group's progress against the material commitments by providing holistic oversight, coordination and management of ESG activities. The committee is jointly chaired by the Group Chief Sustainability Officer and Group Company Secretary and Chief Governance Officer, and it oversees all areas of environmental, social and governance, with support from accountable senior management in relation to their particular areas of responsibilities.

## Findings

6. The bank continued to take steps to implement its climate ambition to become net zero in its operations and its supply chain by 2030, and align its financed emissions to net zero by 2050, with different initiatives being implemented to achieve this objective.


   Having set on-balance sheet 2030 emissions targets for the oil and gas, and power and utilities sectors, the bank has expanded its coverage to include the heavy industry and transport sectors, which are key drivers of energy demand. These sectors cover the most emissions-intensive parts of its portfolio.

7. The bank follows the Greenhouse Gas Protocol global framework, which identifies three scopes of emissions. It is noted that Scope 3 emissions are also broken down into 15 categories, and it provides reporting emissions data for three categories related to upstream activities, which are purchased goods and services (category 1); capital goods (category 2); and business travel (category 6). It also provides reporting data for one category related to downstream activities, namely investments and financed emissions (category 15).

# Hang Seng Index Category

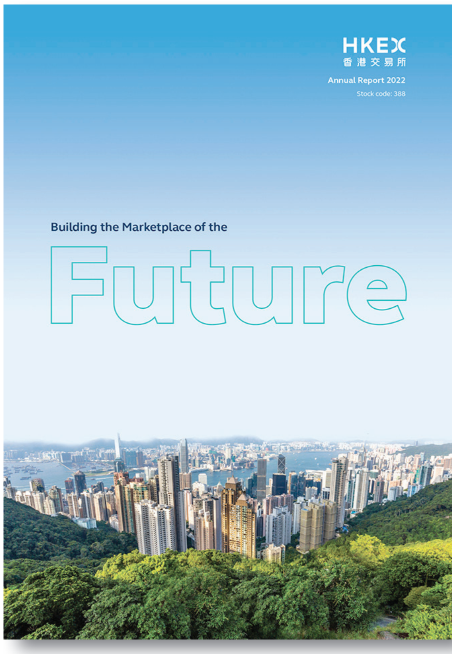
## MOST SUSTAINABLE COMPANIES
## SPECIAL MENTION

### Hong Kong Exchanges and Clearing Limited

- Click here for the Annual Report
- Click here for the Corporate Social Responsibility Report

## Findings

1. Hong Kong Exchanges and Clearing Limited (HKEX) assesses its INEDs' independence upon appointment, annually, and at any other times where the circumstances warrant reconsideration. The Nomination and Governance Committee affirmed that all INEDs continued to demonstrate strong independence in judgement and were free from any business or other relationships which could interfere with their ability to discharge their duties effectively, and they therefore all remained independent.




2. HKEX's board is highly independent. 92% of board members are INEDs. Members of all governance-related committees (i.e. the Audit Committee, the Nomination and Governance Committee, the Remuneration Committee and the Risk Committee) are INEDs. In addition, the board members only serve a limited number of other offices.

3. In 2022, an independent external consultant was engaged to evaluate the performance of the boards of HKEX and its clearing subsidiary, OTC Clear. The evaluation concluded that both of these two boards were effective, and that the HKEX board had made material progress across various aspects since the prior independent board evaluation in 2019.

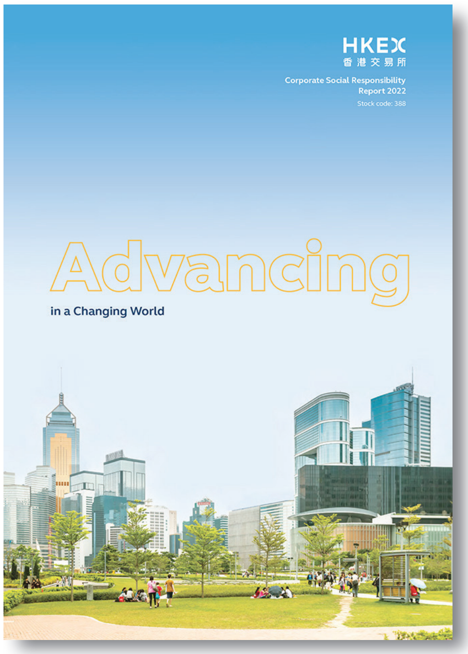
4. The group's risk governance structure is based on a "Three Lines of Defence" model, with oversight and direction from the board, the Risk Committee, and group management through the Executive Risk Committee, and with a review by the Audit Committee of the adequacy and effectiveness of the group's policies and procedures regarding risk management, among others, by reviewing the work of the internal and external auditors.

   The principal risks identified, their detailed descriptions and key mitigation measures are disclosed and systematically presented by HKEX in its Annual Report.

## Findings

5. Under the HKEX Clawback Policy, incentive payments to the most senior level of executives of the HKEX Group, whether in the form of cash or share-based awards, are subject to clawback under special circumstances, including where there has been a material misstatement or omission in the financial reports of the HKEX Group, or if the relevant senior executive has engaged in serious negligence, fraud, or misconduct.

   Any clawback action may be determined by the Remuneration Committee in respect of any short-term incentives paid and/or any share award granted to a senior executive within the period of three years immediately preceding the date on which the committee determines such action.




6. As part of its commitment towards Glasgow Financial Alliance for Net Zero, HKEX has begun a detailed study targeting the full decarbonization of its operations ahead of its existing commitment, which is to become net zero by 2050. HKEX is in the process of reviewing its indirect emissions and developing a reduction strategy, as managing its carbon emissions along its value chain is also key to achieving its net-zero commitment.

7. An external consultant was engaged to undertake an independent verification for the data and information associated with HKEX's sustainability performance, including the quantitative data of direct (Scope 1), indirect (Scope 2), and other indirect (Scope 3) GHG emissions. The objective of this verification is to provide a reasonable assurance of the data and information disclosed in HKEX's Corporate Social Responsibility Report to confirm their accuracy, reliability and objectivity.

# Hang Seng Index Category

## MOST SUSTAINABLE ORGANIZATIONS
## SPECIAL MENTION

### Link Real Estate Investment Trust

- Click here for the Annual Report
- Click here for the Sustainability Compendium

## Findings


1. Link Real Estate Investment Trust (Link REIT) has a culture of excellence, visionary creativity and inclusivity. Culture sits at the core of the achievement of its vision, mission and values, driving its value creation and embedding a compliance culture across all of its operations.

2. Link REIT has strong board independence, with the following highlights:
   - INEDs may not serve on the board beyond nine years.
   - All board committees are chaired by INEDs
   - Ten out of 13 directors are INEDs and one is a NED.
   - The board chair is required to be an INED.
   - Upon expiry of nine years' service on the board, INEDs may only re-join the board three years after having stepped down.
   - The Audit and Risk Management Committee and the Remuneration Committee are required to be chaired by, and are comprised solely of, INEDs.

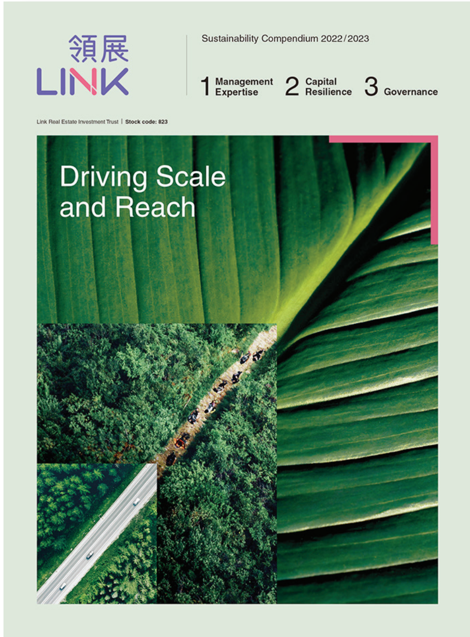
3. The board diversity policy of Link sets clear targets for board composition.
   - A minimum representation of 20% of both male and female members is stipulated.
   - Given that INEDs serve a maximum of nine years, the board is continuously refreshed, bringing new skills and perspectives, supporting Link REIT to expands its business footprint.
   - An independent professional search firm is engaged to support in the identification of potential candidates for board succession, with consideration given to the diversity of the board.

## Findings

4. Link REIT aims to be a world class real estate investor and manager, serving and improving the lives of those around it, with "E", "S" and "G" as the three pillars to support the relevant initiatives.

5. Key climate-related risks are identified by the Sustainability and Risk Governance teams, which are then reported to the senior management for endorsement and finally reviewed by the board's Audit and Risk Management Committee on a quarterly basis. Overall progress, including how material climate issues are managed, is reported back to the board twice yearly.

6. Link REIT aims to achieve its goal to reach net zero by 2035 as its topmost priority. A 25% reduction target in carbon emissions intensity (Scopes 1 & 2) has been set across its portfolio by 2025/2026 (compared with the 2018/2019 baseline), with progress demonstrating that the company is on the track to meet its targets.




7. Two separate consultants were engaged to assure the Sustainability Compendium from different perspectives:
   - A CPA firm was engaged to assure nine selected ESG KPIs for the year ended 31 March 2023, including (1) carbon intensity reduction, (2) electricity intensity reduction, (3) general waste recovered/recycled, (4) employee engagement survey response rate, (5) employee engagement score, (6) regrettable turnover, (7) positive brand perception, (8) customer satisfaction score and (9) tenant satisfaction rate.
   - A non-CPA firm was engaged to undertake an independent verification of the sustainability related contents stated in its 2022/2023 Strategic Report and its 2022/2023 Sustainability Compendium.

# Hang Seng Index Category

## MOST SUSTAINABLE COMPANIES
## SPECIAL MENTION

## MTR Corporation Limited

- Click here for the Annual Report
- Click here for the Sustainability Report

### Findings


1. The board of MTR Corporation Limited (MTR) has maintained a supermajority of INEDs with diversified backgrounds for many years, to ensure a wide spectrum of independent views are expressed at the board.

2. A board evaluation exercise was conducted by an external consultant in 2021, focusing on the board's engagement, communication, structure and composition. A number of recommendations were made, resulting in a restructuring of the company's board committees and a revamping of their terms of reference, with a view to enhancing board effectiveness and ensuring that the board is fit for purpose to support the implementation of the corporate strategy.

3. To ensure that NEDs are appropriately remunerated for their time and responsibilities, the Remuneration Committee undertakes periodic reviews and considers a number of factors, including fees paid by comparable companies, time commitment, NEDs' responsibilities, and employment conditions elsewhere in the company.

4. The remuneration of employees is determined by a number of factors:
   - Fixed compensation: The annual review process takes into consideration the MTR's remuneration policy, competitive market positioning, market practice, as well as the company's and the individuals' performance.
   - Variable incentives: The overall Core Incentive Scheme funding is subject to the MTR's performance, measured by both financial and non-financial factors, including operating profit, EBITDA margin, and Hong Kong property development profits.
   - Long-term incentives: Performance shares are awarded every three years and vest subject to the performance of the MTR over a pre-determined performance period, assessed with reference to board-approved performance metrics and in respect of such performance period and any other performance conditions, as determined by the Remuneration Committee from time to time.

## Findings


5. The board-level Environmental & Social Responsibility Committee provides strategic oversight of the company's environmental and social strategy and investments. The committee is also responsible for tracking performance against the MTR's environmental and social KPIs and reporting to the board on these issues. Led by the chairman of the company, the committee meets twice annually to monitor and oversee MTR's sustainability performance, the related frameworks and initiatives, and the progress of relevant KPIs.

6. The MTR developed a set of 35 KPIs, consisting of short-, medium- and long-term initiatives, to gauge and drive its performance under three Environmental and Social Objectives. Most of the KPIs have either been achieved or are on track to being achieved and only one KPI was not met. Further explanations are provided in the company's Sustainability Report as to how the targets have been met or why they have not been met.

7. A longer-term goal of achieving carbon neutrality by 2050 has been established, together with short- and mid-term KPIs. It is noted that 2030 targets have been submitted to the Science Based Targets initiative (SBTi) for validation. In terms of diversity and inclusion, for example, the company has set a target of 25% of its board of directors being women by 2025. The company is on the track to meet this target; female directors accounted for 21% of the board members as at the end of 2022.

# Non-Hang Seng Index Category (Large Market Capitalization) Category

## MOST SUSTAINABLE COMPANIES PLATINUM AWARD

## Prudential plc

- Click here for the Annual/ ESG Report

## Findings


1. The board of Prudential plc integrates CG and ESG principles into its operation. The board is supported by a number of principal committees, comprising only NEDs. For example, the Responsibility and Sustainability Working Group (RSWG) assists the board with matters concerning the company's overall ESG strategic framework.

2. Given the importance of the decision, it is explained in in the Chair's Statement in the Governance section of the Annual Report that all the NEDs were involved in the decision-making process resulting in the appointment of the new CEO, including interviewing the candidates. The Prudential board comprises a majority of INEDs and useful information is disclosed on the induction of new INED who joined the board in September 2022.

3. Prudential disclosed its 2022 progress in terms of the actions being taken to rectify the issues rased in the 2021 board evaluation exercise. For example, the company had been requested to focus more board meeting agenda time on customers and employees, and to review and update KPIs for consistent reporting and analysis. In addition, the board amended the terms of reference of the RSWG to create a focus on customers and digital, on top of its existing remit on people, culture and communities, while oversight of climate (on a holistic basis) transitioned to the Risk Committee.

4. Prudential's executive remuneration arrangements reward the achievement of group, business, functional and personal targets, provided that this performance is delivered within the company's risk framework and appetites, and that the conduct expectations of Prudential, its regulators and other stakeholders are met.

## Findings

5. The company undertook an internal review of SBTi and engaged with the SBTi to understand their view of the methodology's application in emerging markets. The SBTi uses global decarbonization targets and pathways for their verification that do not distinguish between the differing needs for emerging markets and developed markets.


   Aligning with its approach to a just and inclusive transition, Prudential believes that it is critical that the company engages with countries and companies to work with them to overcome their transition challenges. A part of this approach is reflecting the nuances of the challenges faced by specific countries, for example, in balancing economic growth and decarbonization.

6. The company's long-term pledge is to become net zero by 2050, with the short-term investment pledges discussed in the table, "Our short-term targets and progress made". For the latter, the company committed to divest from all direct investments in businesses that derive more than 30 per cent of their income from coal, with equities to be fully divested from by the end of 2021 and fixed-income assets fully divested from by the end of 2022.

   The company fully achieved its divestment from coal equities in 2021. By the end of 2022, the company had substantively completed its divestment from coal bonds, with one holding remaining as a result of market conditions.

7. Prudential has clearly explained its approach to reporting, which indicates the verifiability and accuracy of the information reported. Apart from the Audit Committee, which oversees Prudential's financial statements and non-financial disclosures, an external independent specialist was appointed to provide assurance over some selected information. A detailed index is included in the ESG Report incorporated in its Annual Report to demonstrate how Prudential met the reporting requirements of HKEX's ESG Reporting Guide. The company also benchmarked against various other frameworks, including the Sustainability Accounting Standards Board (SASB) Insurance Standard, the TCFD recommendations and the UN SDGs.

# Non-Hang Seng Index Category (Large Market Capitalization) Category

## MOST SUSTAINABLE COMPANIES GOLD AWARD

## Standard Chartered PLC

- Click here for the Annual/ ESG Report

### Findings


1. Standard Chartered Bank (SCB) has embedded CG and ESG principles into its operation. Various committees and task forces have been established to assist the board in carrying out its responsibilities, including ESG-related responsibilities.

2. SCB's board evaluation was facilitated by an independent evaluation consultant. Draft conclusions were discussed with the group chairman and subsequently the whole board in December 2022, with the presence of the consultant. Following the board discussion, the consultant provided feedback to committee chairs on the performance of their committees and also discussed the report on the group chairman's performance with the current and previous senior independent director. The group chairman also received a report with feedback on individual directors which was used to support fit and proper and annual assessments conducted with directors.

3. SCB made good progress in improving the balance of female directors on the board in 2022. Women represent 43% of the board, 16 of the bank's CEOs are women, and representation of women in senior leadership roles increased to over 32%, as at the end of 2022. SCB is committed to continuous improvement in this area and aspires to have 35% representation of women at a senior level by 2025.

4. Resolvability has been a key area of focus. The bank has held a dedicated meeting to focus on the group's resolution self-assessment report, ahead of approval by the board and submission to the Prudential Regulation Authority and Bank of England.

   Among the risks faced by SCB, it has been integrating the management of greenwashing risks into its Reputational and Sustainability Risk Type Framework, policies and standards. Green, Sustainable and Transition Finance labels for products, clients and transactions reflect the standards set out in the Green and Sustainable Product Framework, Transition Finance Framework and TCFD reporting.

## Findings

5. In July 2022, SCB took this a step further and appointed a senior executive as its chief sustainability officer (CSO), driving its sustainability agenda and bringing together its existing Sustainable Finance, Net Zero Programme Management and Sustainability Strategy Teams. The dedicated CSO office harmonizes SCB's existing efforts in sustainability and is responsible for creating and executing the group-wide sustainability strategy, including delivery against its net zero pathway.

6. The bank systematically disclosed ESG targets which are mostly quantitative. Roadmaps, timelines, work status and progress are presented for each sustainability aspiration, supported by statistics.

   SCB joined the Partnership for Carbon Accounting Financials in 2022 and adopted their methodology for evaluating financed emissions. It has also increased the number of categories in its Scope 3 report, and plans to add four more next year. These changes seem to account for a significant increase in Scope 3 emissions, in addition to an increase in business travel.

7. The Speaking Up programme continued to be utilized across all countries, businesses and functions. The bank's 2022 MyVoice survey found that 88% of employees (87% in 2021) felt comfortable raising concerns through the relevant channels. Despite this, 2022 saw a 9.6% decrease in the volume of total disclosures via Speaking Up channels compared with the previous period. This was a trend noted across the industry, attributed primarily to the effects of the COVID-19 pandemic which continued to influence internal reporting trends.

# Non-Hang Seng Index Category (Medium Market Capitalization) Category

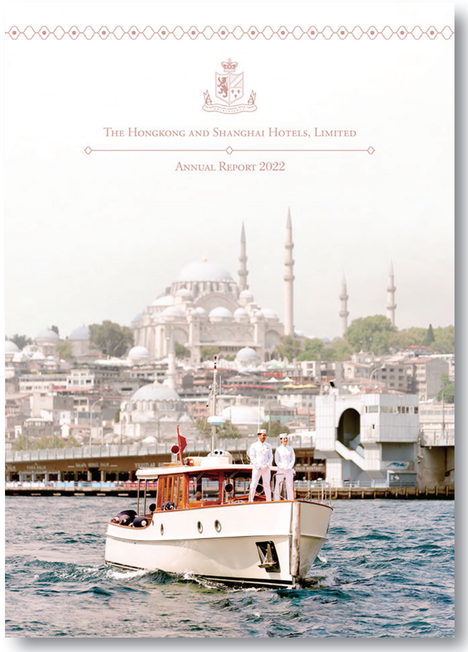
## MOST SUSTAINABLE COMPANIES PLATINUM AWARD

## The Hongkong and Shanghai Hotels, Limited

- Click here for the Annual Report
- Click here for the Corporate Responsibility and Sustainability Report

## Findings

1. The Hongkong and Shanghai Hotels, Ltd. (HSH) sets and promotes the company's culture based on "doing the right thing". Its board expects and requires senior and middle level management to reinforce this ethos. The culture and values are embedded in different governance policies, practices and controls across the group, including a culture of integrity and compliance, accountability, communication and transparency, people first, inclusivity and respect, listening, as well as corporate responsibility.




2. The board engaged an independent facilitator to lead the board review process and a similar methodology to the last review was adopted, with follow-up actions to be taken. The board identified a number of priorities on which it wished to focus in the short term. For example, in terms of succession and development, the company introduced one or two younger members to the board to provide new ideas and perspectives, in particular expertise in digital transformation and sustainability.

3. HSH continued to take steps to promote diversity at all levels of its workforce and has policies on equal opportunities. The company provides equal opportunity to all employees regardless of gender, race, age, nationality, religion, sexual orientation, disability, and other aspects of diversity, and is against any form of discrimination.

4. HSH has established risk governance, with major risk analysis being provided. Among the risks faced by the company, it is explained in the Group Risk Committee Report that it has commenced work to undergo initial assessments of its buildings' physical risks. It is supplemented that properties more susceptible to natural disasters and extreme weather events such as typhoons, cyclones, heat waves, floods, wildfires, may expect to see increased insurance costs and asset valuation being negatively impacted due to exposure to longer term climate shifts such as sea level rise, drought and temperature rise.

## Findings


5. The board, its committees and interested board members regularly receive updates from the head of corporate responsibility and sustainability (CRS) and key issues are brought to their attention. While the company does not have a separate sustainability committee at the board level, the board considers sustainability to be of substantial importance, warranting a board review of the group's sustainability approach, strategy and performance at least once a year.

   Amongst the underlying duties, the head of CRS coordinates CRS-related risk mitigation actions across the group.

6. To enable the integration and cross-functional implementation of sustainability into the business, the Group Corporate Responsibility Committee is comprised of Group Champions, who are general managers of operations and heads of departments representing different aspects of the business, including finance, people and culture, operations, legal, corporate affairs, sales and marketing, and projects.

7. 10 years of statistics on "Group Energy and Carbon Intensity", and "Group Water Intensity" are disclosed, with reasonable explanations. HSH highlights in its Corporate Responsibility and Sustainability Report the impact of the pandemic on some of the information/ statistics disclosed. The operational changes resulting from the continuation of the pandemic negatively impacted the progress of the company's sustainability activities, as well as collaborations with the company's partners, many of which faced similar challenges. As a result, some of its corporate responsibility and sustainability metrics were skewed or negatively affected.

# Non-Hang Seng Index Category (Medium Market Capitalization) Category

## MOST SUSTAINABLE COMPANIES GOLD AWARD

## Pacific Basin Shipping Limited

- Click here for the Annual Report
- Click here for the Sustainability Report

### Findings


1. The Annual and Sustainability Reports of Pacific Basin Shipping Limited (PBS) are well designed and presented, offering comprehensive contents written in simple language. The reports effectively connect various significant pieces of information, which is thoughtfully displayed in tables and diagrams, conveying a positive, reader-friendly impression.

2. PBS adopts all the Recommended Best Practices (RBPs) under the CG Code except that the group publishes a quarterly trading update, instead of quarterly financial results. The board considers this provides shareholders with the key information to assess the performance, financial position and prospects of the group's business, following on from the full year and interim results.

3. In accordance with its AGM notice, the issue of additional shares under the general mandate will not exceed 10% of the aggregate nominal amount of the share capital of the company in issue and the issue price will not be at a discount of more than 10% to the benchmarked price of the shares.

4. The board has carried out a self-assessment this year led by an INED, by way of one-on-one interviews, with each director evaluating the board performance during the year. This aimed to ensure continuous improvement in its functioning, which in turn influences and impacts the group's business. It is further noted that succession planning remains a priority and the board will undertake appropriate recruitment having regard to the retirement of individual directors.

5. PBS candidly explains some the challenges that it faces in the Chief Executive's Sustainability Review. For example, Energy Efficiency Existing Ship Index (EEXI) rules require all ships to achieve a minimum energy-efficiency level through technical design enhancements. The company's ships' EEXI ratings benefit from its long-standing investments in energy-saving devices, but around 70 of its owned ships needed to be fitted with engine power limiters by their first annual survey after 1 January 2023 in order to be EEXI compliant. Arrangements have been made for all the company's ships to comply. However, engine power limiters will result in a permanent reduction in maximum speeds, which will limit the global fleet's ability to speed up to meet increases in demand.

## Findings

6. The company targets to have a fully zero-emission fleet by 2050. While modern second-hand ships are being sought, the company will continue not to order any newbuilds until they are zero-emission capable. Decarbonization strategies are also discussed.

7. PBS also aims to substantially eliminate incidents and to achieve an even better loss time incident rate than in 2022. It transparently discloses that the corresponding statistics increased due to relatively minor slips, trips, falls and crushing incidents.


8. An industry-specific third party was engaged to assure the ESG data, KPIs and other ESG-related metrics and disclosures in the company's Sustainability Report relating to the year ended 31 December 2022, in the form of a limited assurance conclusion regarding the proper preparation of the metrics, in all material respects, in accordance with the company's own methodology for sustainability report development.

9. It is notable that, in addition to being recognized in the Institute's Awards in 2022, PBS was also named both Shipping Company of the Year at the Seatrade Maritime Awards and Bulk Ship Operator of the Year at the International Bulk Journal Awards in 2022 – representing the highest recognition in the sector and industry.

# Non-Hang Seng Index Category (Medium Market Capitalization) Category

## MOST SUSTAINABLE COMPANIES
## SPECIAL MENTION

## Hang Lung Group Limited

- Click here for the Annual Report
- Click here for the Sustainability Report

## Findings

1. Hang Lung Group Limited (HLG) has fully complied with, and, in various areas, exceeded, the Provisions and RBPs of the CG Code. In the Annual Report, there is a summary table that highlights how the company applied the CG Code in key areas, including board and board committees, sustainability, accountability, and communications. Some highlights are:
    - Nomination and Remuneration Committee comprised entirely of INEDs only
    - ERM Working Group as a robust forum for risk management
    - Confirmation by all executive staff of their compliance with the Code of Conduct regarding Transactions in the Company's Shares on a half-yearly basis
    - Open and direct dialogue between the chair and shareholders at the AGMs


2. HLG's "We Do It Well" business philosophy is embraced by all employees, from the board to employees in different positions and at all levels, whereby they strive to uphold the highest standards of integrity and honesty in every aspect of the business. The board comprises professionals with diverse expertise, ensuring balanced decision-making. To enhance its functioning, three committees, i.e. Executive Committee, Audit Committee, and Nomination and Remuneration Committee, have been established to assume different responsibilities.

3. Risk description, risk trends as well as key controls and risk mitigations are set out succinctly in a table. Among other things, the company has strengthened its crisis handling skills with ongoing crisis drills/audits and training, and reinforced internal policies on IT/cyber security, etc., given that HLG may have a higher chance of encountering major external disasters or crises beyond its control or reasonable expectations in the future, such as epidemics, extreme weather, floods, earthquakes, cyber-crimes, or collapse of the property market.

## Findings

4. The company produced a comprehensive Sustainability Report that is both informative and accessible. The report presents a clear vision of HLG's ESG strategy, emphasising its values and targets, which are accompanied by well-defined KPIs that are effectively tracked and measured. In terms of climate resilience, HLG's properties made significant efforts towards achieving a portfolio-wide 8% reduction in kWh/m2 compared with 2018. Notably, a substantial 16.4% reduction in electricity intensity in 2022 was achieved.

   Regarding sustainable transactions, HLG targeted 35% of total debts and available facilities to be sourced from sustainable finance through its subsidiary, Hang Lung Properties. HLG surpassed the target and achieved 45% of total debts and available facilities from sustainable finance through Hang Lung Properties.


5. HLG demonstrates its responsiveness to stakeholder interests and expectations by providing frequent communication opportunities. This includes conducting focused group discussions and organizing regular networking events, allowing for meaningful engagement and interaction with stakeholders.

6. The Sustainability Report has been well prepared in accordance with HKEX's ESG Reporting Guide and standards to ensure accurate impact reporting.

   To enhance its credibility, the report underwent independent assurance from two separate consultants. The first assurer provided a moderate level of assurance on the report as a whole, focusing on the systems and activities of the group in Hong Kong and mainland China. These activities encompassed commercial property development, leasing, management, and construction. Meanwhile, the second assurer, a CPA firm, provided a limited assurance engagement specifically on selected sustainability information related to green bonds, green loans, and the allocation of these to green projects.

# H-share Companies and Other Mainland Enterprises Category

## MOST SUSTAINABLE COMPANIES GOLD AWARD

## Lenovo Group Limited

- Click here for the Annual Report
- Click here for the Environmental, Social and Governance Report

### Findings


1. Lenovo Group Limited (Lenovo) has set and promoted its corporate culture in alignment with its purpose, values and strategy and is committed to embodying its corporate culture based on, "We do what we say. We own what we do. We wow our customers," as explained in the Annual Report.

2. The company has a formal schedule of matters specifically reserved to the board and those delegated to management. The management is responsible for the daily operations and administration function of the group under the leadership of the CEO. The board has given clear directions to management as to the matters that must be approved by the board before decisions are made on behalf of the company or entering into any commitments on behalf of the group.

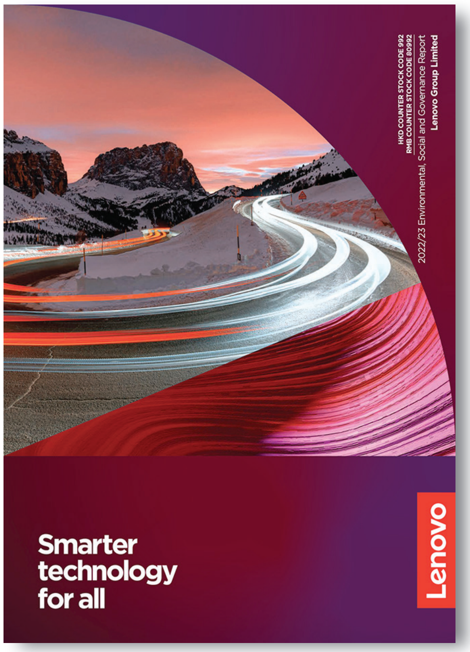
3. Lenovo has a high proportion of INEDs on the board, eight INEDs out of 11 directors, which significantly exceeds the listing requirements of one third. Although Lenovo has only one ED, acting as chairman and CEO, a lead INED has been appointed to chair the Nomination and Governance Committee and board meetings when the combined roles of chairman and CEO are considered and his performance is assessed, to provide an effective check and balance on powers and authorizations between the board and management.

4. The Compensation Committee regularly reviews the company's compensation programmes to ensure alignment with its stated objectives, as well as competitiveness in the talent market. In addition, the committee engaged an independent international compensation consulting firm to conduct an analysis of the compensation package of the NEDs.

5. The company has disclosed its material risks, together with the underlying mitigating measures. These cover various aspects including business, merger and acquisition, cyber-attack and security, financial, intellectual property, supply, human capital, and operational risks. Additionally, the risk management and internal control framework is disclosed in a reader-friendly table format.

## Findings

6. Lenovo has maintained balance in its ESG disclosures, not only presenting positive information to the exclusion of any areas of challenge; for example, it is reported that 56 suppliers had major labour findings identified in their audits. The most common supplier audit findings were related to industry-wide problems of excessive working hours and insufficient time off for their employees.




7. The company announced its SBTi validated target to reach net-zero GHG emissions by 2050. The company's net-zero target is to achieve a 90% reduction across Scopes 1, 2, and 3 emissions. Targets have been set against a base financial year of 2018/19, near-term target year of 2029/30, and net-zero target year of 2049/50.

   After exceeding its 2020 goal for female executive representation by a small margin, the company set a new target to reach 27% female executive representation by 2025.

8. Independent consultants provided verification services for certain energy, GHG emissions, waste, and water data (at a reasonable level of assurance) in Lenovo's Environmental, Social and Governance Report.

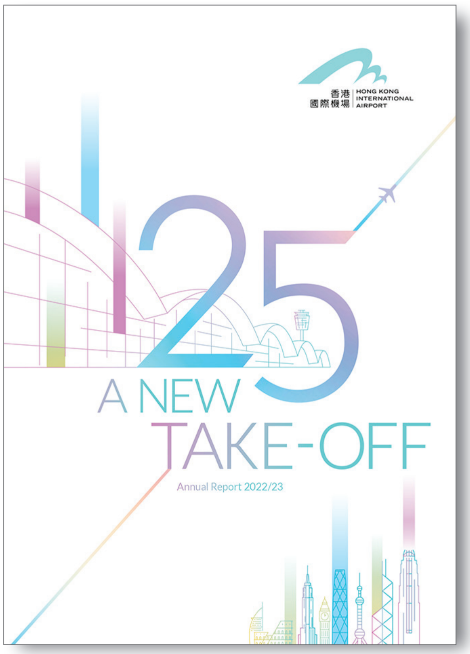
# Public Sector/Not-for-profit Organizations (Large) Category

## MOST SUSTAINABLE ORGANIZATIONS GOLD AWARD

## Airport Authority Hong Kong

- Click here for the Annual Report
- Click here for the Sustainability Report

### Findings




1. Though it is not a mandatory for a non-listed entity, Airport Authority Hong Kong (AAHK) has continued to apply the CG Code Principles and voluntarily complied with the Provisions and the RBPs, with deviations explained. The compositions and duties of board committees, management committees and coordination meetings and the advisory committee are provided.

2. AAHK requires all staff to maintain the highest level of ethics and integrity in conducting the Authority's affairs. To this end, the AAHK Code of Conduct provides guidelines to help staff make ethical decisions in the course of discharging their duties, sets out their legal and ethical obligations to AAHK and its stakeholders, and advises them against inappropriate behaviour.

3. AAHK adopts an open and proactive communication policy to promote effective communication with stakeholders, and values customer feedback. A wide array of channels, such as websites, quantitative and qualitative opinion surveys, emails, feedback forms and telephone hotlines are used to obtain views from passengers, customers, and other stakeholders.

4. The Corporate Governance section of the Annual Report contains extensive, well-presented CG-related information, including a helpful diagram of the overall structure. The section, Risk Management and Internal Controls, describes focus areas for all levels at AAHK, including the board, the Audit Committee and Finance Committee, executive management, and operating and supporting functions. The quantitative risk profile is assessed through a bottom-up analytical approach covering all operating and supporting functions. Details regarding the internal control framework and the responsibilities of different committees and functions are also provided in the form of a clear diagram.

## Findings

5. AAHK has pledged with 29 aviation-related business partners to achieve net zero carbon by 2050, with a midpoint target at 2035. This pledge is in line with the Intergovernmental Panel on Climate Change's 1.5°C scenario, the Hong Kong SAR Government's 2050 carbon neutrality target, and Airports Council International Long-term Carbon Goal of Net Zero Carbon by 2050.


   The Authority has put in significant efforts towards achieving a "greenest Airport Status". This includes setting a midpoint and net zero date, the use of 5 different scenarios for their analysis, an updated materiality methodology, and an acknowledgement of the risks and opportunities around carbon pricing. They have also noted a number of non-environmental transition risks and opportunities, such as consumer preferences.

6. Although Scope 3 disclosures are still at immature stage, AAHK has included a reasonable discussion on this aspect, which is limited to the circumstances that AAHK is able to significantly influence, i.e. airport business partners who are signatories to the HKIA 2050 Net Zero Carbon Pledge and participating in its associated initiatives.

7. The Sustainability Report has provided detailed information, both quantitative and qualitative, and explains how the data is gathered and compiled. The Authority engaged third party assurers to review its GHG inventory and implement an internal monitoring and review process to track and refine accuracy over time.

8. In terms of benchmarks used for reporting, AAHK refers to GRI Standards: Core option and the GRI G4 Airport Operators Sector Disclosures. It also voluntarily disclosed in compliance with HKEX's ESG Reporting Guide. An index at the end of the Sustainability Report list out the information reported against the Recommended Disclosures of the relevant reporting guide. AAHK also makes reference to the TCFD recommendations for climate-related disclosures.

9. The 2021/22 Highlights chart indicates that the AAHK:
   - Received an inaugural rating of 74 out of 100 for ESG performance from Standard & Poor Global Ratings
   - Aligned with UN SDGs for the first time
   - Launched the first Sustainable Finance Transactions Annual Report

# Hang Seng Index Category

## CORPORATE GOVERNANCE AWARD

## Chow Tai Fook Jewellery Group Limited

- Click here for the Annual Report

## Findings


1. Chow Tai Fook Jewellery Group Limited (Chow Tai Fook) has established a CG framework that helps the board form its decisions and build the group's businesses. The company's "4T" principles, see below, support the group in achieving its strategic objectives towards sustainable growth and development.
   - Transparent: Implement transparent disclosures and constructive dialogues to foster genuine mutual understanding with stakeholders
   - Thoughtful: Embrace leaders with an independent mindset, versatile expertise and business acumen, who steer the long-term pursuit for sustainable business growth and attainment of common values with stakeholders
   - Truthful: Uphold a long-established culture of integrity to safeguard the fundamental interests of stakeholders and build trusting relationships with them
   - Traceable: Enhance accountability via institutionalised structures and measures to drive better utilization of resources and fulfilment of stakeholders' interests

2. Chow Tai Fook's board nomination policy and process are described clearly in the company's Annual Report. The board has established a number of mechanisms to enhance the role of INEDs, including an independence assessment upon nomination and annual reviews, INEDs' remuneration, board decision making, and conflict management. The annual review of INEDs' independence also considers, among other issues, the question of cross-directorships.

3. With the addition of three new board members, the company has increased female representation on its board to 20%, while the proportion of female senior management has risen to 42%. The company remains committed to improving diversity across the group.

## Findings

4. There are clear explanations of the roles and work of the board and a number of board committees in the Corporate Governance Report section of the Annual Report.

5. A thorough Risk Management Report has been produced, which discusses each component of its enterprise risk management framework in reasonable detail, from objectives setting and risk identification, to risk evaluation, mitigation and control. There is a good description and illustrations of the internal control framework. The report confirms that the Audit Committee conducted an annual review of the effectiveness of risk management and internal control systems.

6. On top of this, principal risks are illustrated through four columns in a table format, including business strategies, risks, controls and mitigation measures, and the risk trend. In terms of dealing with the risk of inadequate understanding of material ESG issues, the company will strengthen coordination and communication of the group's sustainability messages, with a focus on optimizing data and creating data visualization to help understand the progress and effectiveness of sustainability efforts.

7. Chow Tai Fook has set up a board-level Sustainability Committee and issued a separate Sustainability Report.

# Non-Hang Seng Index Category (Medium Market Capitalization) Category

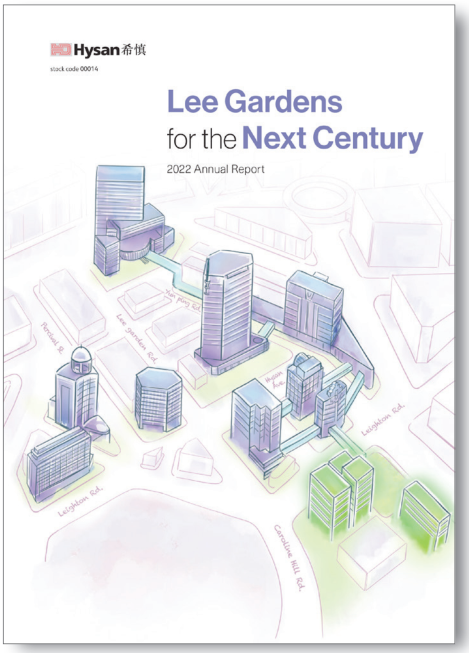
## CORPORATE GOVERNANCE AWARD

### Hysan Development Company Limited

- Click here for the Annual Report

## Findings

1. Hysan Development Company Limited (Hysan)'s Annual Report reflects a high-quality design and presentation, conveying key information effectively to stakeholders. The disclosures are clear, precise, and provide a comprehensive understanding of the company's governance practices. The use of tables, diagrams, case studies, and stories enhances the report's effectiveness, conveying a positive impression to readers.




2. Hysan consistently exceeds the minimum standards of compliance with the requirements of the CG Code. The company's CG reporting and disclosures are clear, concise and informative, and are supported by a robust governance strategy and framework.

3. The board comprises 11 directors, five of whom are INEDs, exceeding the independence requirements under the Listing Rules. In terms of gender diversity and inclusion, in 2022, female representation on the board increased from 20% to 27%. The company has set a target of 33% by 2025.

4. Hysan continues to set out in a table in its Corporate Governance Report, the best practices that are adopted and which continue to exceed the relevant CG Code and/or the Listing Rule requirements, even taking into account the various changes to the CG Code that have raised the minimum standards in recent years.

## Findings

5. Hysan's CG framework is bolstered by a variety of policies and guidelines that reflect its values and traditions. These are regularly reviewed and updated, and have regard to market and/or international best practices. Good CG is emphasized at all levels, and the company's CG Guidelines, which were updated in January 2023, serve as the primary code for the board's commitment and responsibilities. Directors and employees are expected to adhere to these policies and guidelines. Some examples include:
   - Anti-Bribery and Corruption Policy, and Anti-Fraud Policy
   - Code of Ethics, and Corporate Culture Statement
   - Corporate Disclosure Policy
   - Diversity Policy
   - Human Rights Policy
   - Risk Appetite Statement
   - Shareholders Communication Policy
   - Tax Governance Policy
   - Whistleblowing Policy

6. Hysan's board evaluation is a continual process and is regarded as an important component of the mechanism to ensure independent views and inputs are available to the board. The underlying board evaluation process includes a number of steps:
   - The board and board committees conduct self-evaluation questionnaires annually.
   - Directors provide ongoing, real-time feedback, in addition to the annual questionnaires.
   - A summary of the evaluation results is provided to the board and board committees.
   - The board and board committees consider and discuss constructive insights and action plans in light of the evaluation process, as appropriate.

7. Hysan employs a Top-Down/Bottom-up Risk Management Framework to effectively manage risks throughout the organization. At the corporate level, the board and Audit and Risk Management Committee play a crucial role in overseeing, identifying, assessing, and mitigating risks. At the management level, the Risk Management Committee, Internal Audit, and other relevant departments are responsible for overseeing risk management at the business unit level and across functional areas. They work together to identify, assess, and mitigate risks specific to their respective areas of operation.

8. Hysan has set up a board-level Sustainability Committee and a succinct, informative report of its work is provided. The company issued a separate Sustainability Report, with a summary contained in the Annual Report. It is noted that the company gained recognition and several awards for its ESG in 2022.

# Non-Hang Seng Index Category (Small Market Capitalization) Category

## CORPORATE GOVERNANCE SPECIAL MENTION

## China Everbright Greentech Limited

- Click here for the Annual Report

## Findings


1. China Everbright Greentech Limited (CEG) strives to maintain sound and high CG standards to safeguard the interests of the shareholders and create long term value. During 2022, CEG fully complied with the Provisions set out in the Hong Kong CG Code.

2. CEG set a clear corporate culture and formally adopted the Everbright Group Culture as its corporate culture, which was disseminated to all employees. The company adheres to the corporate mission of "Devoted to Ecology and Environment for a Beautiful China"; and the corporate vision of "Creating Better Investment Value and Undertaking More Social Responsibility", and practising the core values of being a corporate with sentiments, quality, characteristics, innovation, bottom line, reputation, vitality and responsibility.

3. CEG has adopted an effective whistleblowing policy to maintain business integrity and promote a healthy working culture and an anti-bribery and corruption policy. To ensure orderly business operations, promote the healthy development of the enterprise and enhance internal control, the company revised its whistleblowing policy in 2022 to facilitate internal and external stakeholders to report possible illegal or improper conduct.

4. The company conducts an annual board evaluation. The board conducted its assessment through a questionnaire with latest information provided on the HKEX website under Board Diversity & Inclusion in Focus, which took into account five key board performance and CG areas, including the structure and composition of the board and board committees, performance of the board and board committees, independent views, communication with stakeholders and professional development, allowing each board member to rate relevant items in different areas.

   The company secretary conducted statistics on the evaluation results, which concluded that the self-evaluation of the board was at a mid-to-high satisfaction level, and reported the evaluation results to the Nomination Committee and the board.

## Findings

5. The risk management structure of the group is based on the “Three Lines of Defence” model. Among these lines, for the third line of defence, the Internal Audit Department carries out internal audit on a yearly basis and ensures the effectiveness of the first and the second lines of defence. The department provides an independent assurance as to the sufficiency and effectiveness of the internal control of the group to the Audit and Risk Management Committee and the board.

6. The company has incorporated ESG risks into the company's risk management regime, including an ongoing focus on global climate change, in particular contingency plans and reasonable response measures to address risks that might result from extreme weather. It actively participated in the national policies and implementation measures for “carbon reduction” and “carbon peak”, making advanced arrangements and response measures catering to higher mandatory emission standards for enterprises that might be announced by the nation; and facilitated staff development by creating job opportunities and incorporating the concepts of inclusivity and equality in the Staff Handbook and human resources regime.

7. CEG has also adopted an effective shareholders' communication policy (revised in 2022) aiming to ensure that shareholders and investors have timely access to information about the company, to enhance their understanding of its affairs.

# Non-Hang Seng Index Category (Small Market Capitalization) Category

## CORPORATE GOVERNANCE SPECIAL MENTION

### Transport International Holdings Limited

- Click here for the Annual Report

## Findings


1. Transport International Holdings Limited (TIH) acknowledges at the outset in its Corporate Governance Report that "Good corporate governance is the foundation of business success as it provides the basis for stakeholder confidence and sustainable returns for shareholders."

   TIH's CG framework is built on principles of accountability, transparency and integrity, The framework is used as a performance-oriented benchmark in evaluating the achievement of the group's business goals. In response to changes in regulatory requirements, environmental needs, social expectations and international relations, the group regularly reviews the framework, updates its management policies and practices, and ensures that they are closely followed at all levels throughout the company.

2. The Annual Report includes a thorough and comprehensive discussion of the company's business operations, presenting a reasonable overview. In addition to its mainstay Hong Kong public bus services, the company offers non-franchised tailor-made transport services for a wide range of customers in Hong Kong and a 24-hour cross boundary shuttle bus service serving commuters and leisure travellers between Lok Ma Chau and Huanggang, through Sun Bus Holdings Limited and its subsidiaries and New Hong Kong Bus Company Limited respectively. The group operates public bus, taxi, and car rental services in Shenzhen and Beijing through joint ventures in which it holds a certain percentage of ownership.

3. The company has identified the following measures as a route to achieving its CG objectives:

   - Maintenance of a diverse and optimal board composition, establishment of efficient management reporting systems and retention of a professional management team to ensure that the directors are sufficiently informed prior to making decisions in the best interests of the stakeholders
   - Establishment of thorough internal audit and control systems to safeguard against risks, protect the assets of the company and ensure that its policies and management practices are executed as planned, and that any irregularities, deviations, material misstatements and instances of malpractice are swiftly identified and rectified; and

## Findings

- Establishment of transparent and effective communication channels to ensure that TIH's affairs are brought to the attention of shareholders, customers and other stakeholders.

4. The board is made up primarily of non-executives (14 out of 15) with 5 INEDs and 9 NEDs and one ED, who is the managing director. The INEDs review critically and objectively issues that come before the board; in particular, they ensure that the general interests of shareholders are fully considered by the board.

5. In line with good CG practices, assessment of the remuneration of directors is based on formal principles that take into account both the market practice and a tried-and-tested methodology. As in previous years, directors' fees for 2022 were determined based on the methodology developed in the United Kingdom under the "Higgs Report" on the Review of the Role and Effectiveness of NEDs. The methodology takes into consideration the likely workload, the scale and complexity of the business and the responsibility involved.

6. A Key Risk Indicator Report is submitted to the Audit and Risk Management Committee every six months. The group's major risks as identified by the management are listed in the report, together with a comprehensive profile of such risks and the monitoring mechanism as established by the management.

7. Attaching great importance to pursuing the government policy of achieving carbon neutrality by 2050, the company has rolled out an electrification roadmap and is planning to install around 30,000 solar panels to put into practice its development blueprint for new energy and electric buses. On top of this, it is noted that the company:
    - plans to introduce 500 electric buses in the coming three to five years, accounting for one-eighth of the whole bus fleet. In the long run, KMB hopes that new-energy buses will be deployed in the entire fleet by 2040 to help make Hong Kong a green city;
    - has introduced third-generation solar panels on double-deckers. The system reduces the air temperature in the compartment by around 8-10˚C compared to a bus without such a system.

# H-share Companies and Other Mainland Enterprises Category

## CORPORATE GOVERNANCE AWARD

### AAC Technologies Holdings Inc.

- Click here for the Annual Report

## Findings

1. AAC Technologies Holdings Inc. (AAC) fully complies with all CG Code Provisions and applies some of the RBPs, such as regular board evaluation, a significant proportion of EDs' remuneration being linked to corporate and individual performance, disclosure of shareholder details by type and aggregate shareholding, and important shareholders' dates in the coming financial year.


2. AAC illustrates its CG structure and the work done by the board in a reader-friendly format by utilizing tables, diagrams, sequences of events and presentations in bullet point form, etc. The board activities are disclosed in detail in groups of three months. The work done by the board is clearly outlined across various areas, such as policies, stakeholders, business and financial operations, CG and board committees.

3. AAC's board comprises six members – two EDs (including the CEO); a NED; and three INEDs (including the chairman). AAC maintains a high level of INED independence and it does not have any long-serving INEDs or members holding cross-directorships. All members of the Audit and Risk Committee, Nomination Committee and Remuneration Committee are INEDs.

4. The company has adopted a nomination policy for setting up a formal, considered and transparent procedure to help identify and nominate candidates for directorships. All valid nominations of candidates, accompanied with details of their biographical backgrounds, are presented to the board for consideration as soon as practicable. Consideration will be given to factors such as the candidate's integrity, experience and qualifications relevant to the company's business.

## Findings

5. The company has procured and allocated sufficient resources, including external professional resources, to continue to refine its ERM framework and the risk-driven approach for its internal audit plan.

   The framework enables the company to adopt a proactive and structured approach to identifying and managing risks across the organization, with on-going monitoring and review. Acting through the Audit and Risk Committee in the first instance, the board is responsible for overseeing and evaluating management in the design, implementation and maintenance of a sound and effective risk management and internal control system on an ongoing basis.

   Key risk factors faced by the company together with the mitigation measures, are outlined in a separate section of the Annual Report.

6. Since 2013, AAC has issued a standalone Sustainability Report every year detailing its sustainability performance, initiatives and progress on ESG issues for the year. Its Sustainability Working Group, chaired by a board member, comprises members of the senior management and executives from different functions across the organization. It meets no less than twice a year and reports relevant sustainability matters to the board. Its terms of reference are publicly available.

# Public Sector/Not-for-profit Organizations (Large) Category

## CORPORATE GOVERNANCE AWARD

### Securities and Futures Commission

- Click here for the Annual Report

## Findings


1. The Securities and Futures Commission (SFC) is committed to maintaining an effective CG framework to ensure that its governance is in line with best governance practices for public bodies, including those set out in the Institute's publication Corporate Governance for Public Bodies — A Basic Framework. The basic components of the SFC's governance framework are set out in a clear and straightforward diagram.

2. On top of holding monthly board meetings, the board also meets from time to time to conduct in-depth discussions of policy issues and convenes special meetings as needed. 12 board meetings were held during the year, with an average attendance rate of 96%.

3. The EDs and NEDs have different but complementary roles. The EDs are responsible for the SFC's daily operations and each has executive duties in key functions, including listings, takeovers and corporate conduct, licensing and supervision of intermediaries, market infrastructure, investment products and enforcement. The NEDs provide guidance on and monitor the performance of the organization's functions. The Annual Report contains an introduction of new NED who joined in January 2023, who is an Institute member, previously very active in Institute's CG-related projects.

4. The board conducts a self-assessment evaluation every other year. As part of this, each board member is invited to complete a questionnaire, on an anonymous basis, on how well the board is functioning in some key areas of its responsibilities. An analysis of the findings is presented to the board at its off-site meeting to consider areas for improvement.

## Findings

5. The SFC's Annual Report contains disclosures on internal controls and risk management, including descriptions of the process adopted in identifying and assessing risks. The SFC also engages an independent external firm to conduct internal audits to assess the effectiveness of its controls and identify the key risks of all its business processes, in addition to appointing an external auditor.

6. The report explains the SFC's work as regulator, including investigations and successful criminal cases against individuals charged for suspected market misconduct and money laundering offences; disqualifications and compensation orders against corporations and individuals, and civil actions seeking financial redress and other remedial orders. The Commission has also established independent checks and balances, ensuring fairness in its decision making, observance of due process and proper use of its regulatory powers.

7. The SFC is the co-chair of the Hong Kong's Green and Sustainable Finance Cross-Agency Steering Group. It works closely with the government and other local regulators to spearhead efforts to promote Hong Kong as an international sustainable finance hub.

   It also published an agenda for green and sustainable finance, to set out further steps to support Hong Kong's role as an international sustainable finance centre, focusing on corporate disclosures, asset management and ESG funds, and a carbon market.

8. The SFC introduced new requirements for fund managers to consider climate-related risks in their governance, investment and risk management processes and make related disclosures. These requirements took full effect in November 2022.

9. To advance Hong Kong's position as a sustainable finance hub internationally and within the Asia-Pacific region, the SFC and HKEX worked closely together to launch a three-month public consultation in April 2023 on proposals, which took reference from the ISSB's exposure drafts, to mandate climate-related disclosures for listed companies in Hong Kong.

# Public Sector/Not-for-profit Organizations (Small and Medium-size) Category

## CORPORATE GOVERNANCE SPECIAL MENTION

## Mandatory Provident Fund Schemes Authority

- Click here for the Annual Report

### Findings


1. The Mandatory Provident Fund Schemes Authority (MPFA)'s CG framework and practices are in line with the requirements of the Mandatory Provident Fund Schemes Ordinance and the governance principles and best practices recommended for public bodies.

2. Informative discussions contained in the section of the MPFA's Annual Report on business operations cover (i) eMPF Platform Project; (ii) MPF Industry Supervision and System Development; (iii) Member Protection; and (iv) Public Education, Publicity and Engagement.

3. The Authority's governance structure is illustrated in clear diagram enabling the reader to grasp the essential information at a glance. There are also simple but effective charts showing the composition of the board in terms of designation, gender diversity, tenure and areas of expertise. The majority of the board are NEDs. The roles of the chairman, managing director and other directors, EDs and NEDs, are set out and distinguished.

4. Issues discussed by the board during the year are set out. There are a number of supporting committees and a working group on reform issues to assist the board. Their compositions, terms of reference and work performed during the year are disclosed in the report.

5. The MPFA continued its efforts to promote sustainable investing by MPF funds, to ensure that MPF trustees take actions to mitigate ESG risks, so as to protect MPF scheme members' interests. The number of ESG-themed, index-tracking collective investment schemes approved by MPFA increased from 16 in 2021–22 to 29 in 2022–23.

## Findings

6. The MPFA's risk management and internal control structure adopts a best practice model, The Three Lines of Defence, covering (i) operational management and internal controls, (ii) risk management and oversight and (iii) internal audit assurance, and reinforcing its risk management capabilities and risk and control culture across all divisions and departments.

7. Internal audits are conducted based on the audit programme; the underlying findings are reviewed by the senior management and reported to and considered by the Audit and Risk Committee and the management board, ensuring the highest level of independence and objectivity.

8. MPFA uses KPIs to enhance checks and balances, heighten accountability and increase transparency. Throughout the year, all divisions and departments conducted reviews of the measures, service standards, and targets associated with their KPIs, aiming to enhance service quality. This data is presented in a table that compares the actual achievement rate with the target achievement rate. The majority of the KPIs achieved a 100% rate, while the remaining KPIs also attained a success rate of over 95%.

# Hang Seng Index Category

## ESG AWARD

### The Hong Kong and China Gas Company Limited

- Click here for the Environmental, Social and Governance Report

## Findings

1. The Hong Kong and China Gas Company Limited (Towngas) has established an ESG Committee, to further integrate ESG practices into its business operations.

2. To effectively oversee material ESG issues and manage ESG at Towngas, the board has appointed the managing director as the ESG Committee chairman, who reports the latest ESG matters and provides updates to the board at least annually. The committee comprises Executive Committee members and relevant senior executives. The ten members from various business sectors support and strengthen the ESG work, covering operations, finance, human resources, engineering, commercial, safety and environment and community engagement.


3. To recognise the significance of emissions throughout the value chain, Towngas started disclosing its Scope 3 emissions for gas production in Hong Kong and gas distribution in the Mainland in 2020 and 2021 respectively. The S-Carbon platform enables the digitalization of GHG emissions from its supply chain, and helps the company better monitor and manage its Scope 3 emissions.

4. Towngas conducted a comprehensive double materiality assessment in 2022. It adopted the internationally recommended three-step process of identification, prioritization and validation in conducting its materiality assessment. The approach and process of the materiality assessment are clearly explained in the ESG Report.

## Findings

5. Each main section of the report contains a set of 2022 performance highlights and future targets. These include a number of quantitative targets, for ease of tracking the company's commitments, for example:

   - Social
     - Providing free installation of smart controllers and smart meters for 10,000 households in need
     - Further expanding the use of the S-Carbon platform to > 90% of its suppliers
     - Keeping zero accidents as the target for health and safety
     - Emergency response team to arrive on-site within 25 minutes for gas safety issues
   - Environmental
     - Carbon neutrality roadmap, to achieve net zero emissions by 2050.
     - The group is committed to becoming carbon neutral through energy transition and innovation, and has set three medium-term 2025 targets, to reduce (a) group operational GHG emissions by 10%, compared with the 2020 baseline, (b) 10 million tonnes of GHG emissions in the environment per year through coal to-gas, solar photovoltaic power generation, and energy efficiency improvement projects, among others, and (c) 15% electricity use for North Point Headquarters building, compared with the 2015 baseline.

6. To accelerate zero-carbon technology development, Towngas and IDG Capital have launched the Mainland's first Zero-carbon Technology Investment Fund with a focus on technology investment and business applications. The fund will provide financial support to start-up firms and invest in innovative solutions in the energy field, such as solar and wind energy, powered battery, energy reserve, smart energy grids, hydrogen energy, carbon exchange and management projects.

# Hang Seng Index Category

## ESG
## SPECIAL MENTION

## AIA Group Limited

- Click here for the Environmental, Social and Governance Report

## Findings


1. AIA makes a clear statement of purpose at the beginning of its Environmental, Social and Governance Report that:

   AIA's purpose is to help people live healthier, longer, better lives. Sustaining healthier, longer, better lives is about delivering on the company's purpose, creating value for all stakeholders and futureproofing its business through making its ESG philosophy integral to how it does business.

2. AIA's ESG strategy is built around five pillars, namely Health & Wellness, Sustainable Investment, Sustainable Operations, People & Culture, and Effective Governance. A series of easy-to-read tables are incorporated in the report, showing how the company is delivering on its strategy in terms of material topics, priorities, targets and progress.

3. AIA's board retains ultimate responsibility for the oversight of the group's risk management activities and will continue to monitor material group-wide risks, including ESG-related risks, such as those relating to climate change. Supporting this ESG effort are numerous functional bodies namely the ESG Committee, Climate and Net-Zero Steering Committee, and the Group ESG function.

4. The company is committed to achieving net zero by 2050, with a target to have 100% of in-scope investee companies having validated science-based targets by 2040. It has also set initial near-term science-based targets for validation by SBTi by December 2023, with disclosure expected in 2024. The report contains a well-illustrated working framework for implementing the net-zero initiative.

## Findings

5. AIA leads financial institutions in the market by providing specific disclosure of its total financed emissions based on the Partnership for Carbon Accounting Financials methodology, with a breakdown by asset classes, including listed equities, corporate bonds, real estates, and power generation project finance.

6. AIA's investment decisions include an internally-scored assessment of relevant ESG factors in potential and actual investee companies in relation to the general account investment portfolio, and the belief that active engagement with investee companies is a more effective mechanism to promote, develop and enhance ESG-related business practices than outright divestment.

7. The company targets to have engaged one billion people by 2030, to help them live healthier, longer, better lives, with 258 million already engaged by the end of 2022. AIA explains what it means by this commitment and, to give it further credibility, the company engaged a major CPA firm to undertake a limited assurance engagement in accordance with the International Standard on Assurance Engagements (ISAE) 3000 (Revised), in respect of the selected performance metrics.

8. The company is included in a number of prominent ESG indices and ratings.

# Hang Seng Index Category

## ESG
## SPECIAL MENTION

### Sands China Ltd.

- Click here for the Environmental Social and Governance Report

## Findings

1. The ESG Committee of Sands China Limited's (Sands) board of directors provides oversight on ESG-related issues while department owners serve as sponsors for related goals, targets, and programmes. Specifically, a portion of performance-related compensation is linked to Sands' strategic ESG goals.


2. The Sands' ECO360 global sustainability programme, which encompasses the company's low-carbon transition initiative, is overseen and directed by the Global Chief Sustainability Officer. At the property level, the sustainability team takes charge of managing and implementing low-carbon transition initiatives. They collaborate closely with other departments as necessary to ensure the success of these initiatives.

3. Both internal and external qualitative and quantitative targets are set for emissions and energy reduction. This includes Sands' science-based target of reducing emissions by 17.5% by 2025, which supports UN SDG 7: Affordable and Clean Energy.

   The company's low-carbon transition plan performance is disclosed through annual ESG reporting, S&P Global's Corporate Sustainability Assessment, CDP Climate and TCFD to ensure transparency.

4. Sands has set various 2025 targets for ESG, which cover GHG emissions, workforce development, volunteer hours, waste diversion, water use, food waste diversion, plastic and packaging and female representation in management etc. Up to five years' data is provided in a bar chart format for easy comparison.

## Findings

5. Sands has implemented a comprehensive low-carbon transition strategy to reduce its climate impact. This strategy focuses on three key areas: Energy efficiency, utilization of renewable energy, and the conversion to low-emission vehicles.

   To enhance energy efficiency, the company has installed high-efficiency LED lights in nearly all of its 2,155 rooms and LED lighting in arena washrooms. As a result, LED lamps now account for 99% of the total lighting used. Additionally, Sands has replaced heat pumps and boiler systems that previously used LPG with high-temperature heat pumps, further improving energy efficiency.

   In terms of renewable energy, Sands has significantly increased its consumption in 2022. They purchased 115,000 MWh of renewable energy from hydro and wind farms. Furthermore, the company has generated 81 MWh of renewable energy through its hybrid solar thermal plant.

   Sands is also progressing in its transition to electric vehicles (EVs). They have installed 21 EV charger units across their properties and added six range-extended electric taxis at The Londoner Macao in 2022.

6. Sands ensures the credibility and reliability of its GHG emissions, energy, water, and waste data through independent verification by a third party, following the internationally recognized standards, ISAE 3000 and ISAE 3410.

# Non-Hang Seng Index Category (Large Market Capitalization) Category

## ESG AWARD

## Swire Pacific Limited

- Click here for the Sustainable Development Report

### Findings


1. Swire Pacific Limited (Swire Pacific)'s Sustainable Development (SD) Report is comprehensive and well-structured, offering valuable insights into climate-related risks and opportunities. The report provides a thorough analysis of the company's strategies to address these challenges.

2. There are clearly-presented charts showing the company's sustainability and risk governance structures. An ED has responsibility for the group sustainability strategy, including climate change, and the group Sustainable Development Office.

3. The company demonstrates an inclusive focus that emphasizes both climate-related issues and other environmental aspects, as well as people and community issues of a social nature. This balanced approach showcases Swire Pacific's commitment to holistic sustainability practices. A detailed breakdown of the community programmes supported by the company is provided. This enhances stakeholders' understanding of how the company allocates its charitable funding, further highlighting its commitment to responsible and accountable practices.

4. Swire Pacific has formulated SwireTHRIVE, which is a group level sustainable development strategy that helps promote sustainability in five focus areas within the company. The ESG initiatives are supported by specific ESG policies and measurable targets which enables evaluation and tracking of the company's performance and progress. Each focus area contains more detailed explanations in the SD report, illustrated by graphs and statistics, including the respective approaches adopted, initiatives and measures, work done, targets and progress.

## Findings

5. The sustainability topics that concern the relevant stakeholders, including board members, senior leadership, NGOs and activists, investors, peer companies and competitors, and industry associations and chambers of commerce are discussed, supplemented with the respective mode of engagement.

6. Swire Pacific is piloting an internal carbon price mechanism in 2023 with its three largest operating companies, Swire Properties, Swire CocaCola, and HAECO. The pilot use of the internal carbon pricing mechanism starting in 2023 will provide additional funding for significant decarbonization projects and help to further embed the cost of carbon into their business planning. Furthermore, Swire Pacific completed a Scope 3 emissions assessment for all of its operating companies in 2022. The assessment findings will feed into the company's net zero decarbonization roadmap for 2050 and enable targeted action going forward.

7. Swire Pacific has also established specific reporting methodology and collection protocols for carbon, waste, and water that standardize the data calculation methodology, and include variance checks and procedures for dealing with abnormal data.

8. The company engaged a third party CPA firm to perform assurance on key sustainability performance data, covering environmental and social data points. It is also working with a third party to validate the robustness of additional data with a view to expanding the scope of its assured data in future reporting cycles.

# Non-Hang Seng Index Category (Large Market Capitalization) Category

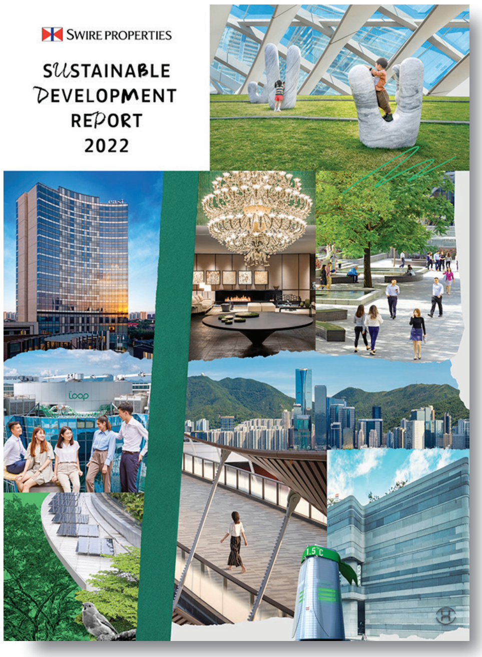
## ESG AWARD

## Swire Properties Limited

- Click here for the Sustainable Development Report

### Findings

1. Swire Properties Limited has adopted and adhered to a long-term vision of sustainable and responsible development. It has formulated and launched a Sustainable Development 2030 Strategy (SD 2030) which clearly articulates its ESG direction, targets, strategies and initiatives. The SD 2030 echoes with the UN SDGs, and its ESG initiatives performance is evaluated by measureable KPIs. It comprises five strategic pillars, Places, People, Partners, Performance (Environment) and Performance (Economic).




2. The company has a solid ESG foundation and clear governance structure on sustainable development that reinforces the integration of the ESG framework into all levels of the business and decision-making process. Not only are there working groups to support each pillar of its SD 2030, the senior management are also actively engaged in developing and implementing sustainable strategies.

3. Swire Properties has begun to set out a roadmap to guide its strategic investment and actions to support its net-zero commitments. Being the first real estate developer in Hong Kong and the Mainland to join the Business Ambition for 1.5°C campaign, led by the SBTi, in partnership with the United Nations Global Compact, Swire Properties has established approved 1.5°C-aligned science-based targets to support the delivery of net-zero emissions before 2050.

4. The company provides targets, progress updates, performance analyses, and year-on-year comparisons for each pillar of the SD 2030. The Sustainable Development Report includes a well-set-out table showing 2022 highlights of progress towards targets. For instance, from the perspective of Performance (Economic) aspect, the company had aimed to achieve a minimum of 50% of bond and loan facilities from green financing by 2025. In 2022, it already achieved approximately 60% of its current bond and loan facilities being sourced from green financing, demonstrating its commitment. In terms of People, the company targets to maintain a gender pay ratio at 1:1 by 2025. As of 2022, the gender pay ratio (female to male) stood at 1:0.92, indicating that the company was well on track.

## Findings

5. Swire Properties has made significant strides in addressing Scope 1 and 2 emissions, achieving an impressive 28% reduction in absolute emissions in 2022 compared to the baseline year of 2019. The company has established metrics and targets for various aspects related to these emissions, and its Sustainable Development Report clearly outlines the actions taken to accomplish these goals. For instance, the company aims to have 50% of tenants in its office portfolios sign the Green Performance Pledge by 2025, showcasing its commitment to driving sustainability throughout its operations.

   Disclosure of the company's Scope 3 emissions is included in the report and presents a more holistic view of its carbon footprint along the value chain. While Swire Properties may have limited influence or control over some of its Scope 3 emissions categories, the company states that it will continuously monitor these emissions and seek opportunities to influence them, particularly if they begin to represent an increasing portion of its total carbon footprint.

6. Swire Properties demonstrates a commitment to transparency and credibility by engaging a CPA firm to provide independent assurance for certain sustainable development data in its report, specifically covering environmental and social aspects. Furthermore, Swire Properties' sustainability performance has gained significant recognition globally. The company has received positive assessments from various reputable rating agencies, including MSCI, CDP Climate Change, S&P CSA, and Sustainalytics.

# Non-Hang Seng Index Category (Large Market Capitalization) Category

## ESG SPECIAL MENTION

## Cathay Pacific Airways Limited

• Click here for the Sustainable Development Report

## Findings


1. Cathay Pacific Airways Limited (Cathay Pacific)'s Sustainable Development (SD) Report is informative and well-structured. It provides much useful information about the company's sustainability focus, which is closely relevant to its business, and its approach and measures to attain its sustainability objectives.

2. The board is ultimately accountable for the sustainable development strategy and performance at Cathay Pacific. It is supported in its duties by three governance bodies that steer the group's approach in sustainability matters, under the leadership of the chairman. They are the Sustainable Development Committee, the Sustainable Development Steering Group, and the Climate Actions Steering Group.

   In addition, the board's Risk Committee oversees assessment of ESG risks among other risks and implementation of related decisions, indicating that ESG risks are considered to be part of overall strategic and business risks. The board's Safety Review Committee oversees employee health and safety, while the Audit Committee oversees anti-corruption, fraud and whistleblowing cases.

3. The SD report was prepared with reference to GRI Standards and complies with HKEX's ESG Reporting Guide. Cathay Pacific also takes reference from the TCFD recommendations for climate-related disclosures and the SD Report has been mapped against relevant UN SDGs. An independent third party was engaged to verify certain data in the report.

4. Cathay Pacific's stakeholders include both internal and external interest groups that have a significant impact on its business, or who are significantly affected by its operations. The company regularly engages with these stakeholders through various channels, including surveys, focus groups, interviews, publications, websites, social media and face-to-face meetings. All employees are engaged through an annual survey which is supplemented with quarterly surveys targeting key employee groups.

## Findings

5. The performance data provided in the report are quite extensive. The company has sought to explain changes in certain performance data between years, mainly relating to carbon emissions. In terms of disclosing the relevant quantitative social and environmental targets, the following are noted:

   - A holistic five-pillar strategy has been developed to deliver on the company's target to reach carbon neutrality (Scopes 1 and 2) by 2050, with positive progress reported.

     Among the relevant measures, more fuel-efficient aircrafts will be procured. It is noted that new generation aircraft bring advanced technologies in aerodynamics and design, enabling these aircraft to be up to 25% more fuel efficient compared with the previous generation.

     Given that that sustainable aviation fuel can reduce GHG emissions, in 2014, Cathay Pacific became the first airline investor to take an equity stake in a United States-based sustainable aviation fuel developer, which is a world pioneer in the development and commercialization of converting municipal solid waste into sustainable aviation fuel.

   - Cathay Pacific's safety goal is to achieve zero accidents and zero "high risk" incidents, to which end the company has developed a corporate safety culture and adopted a risk-driven approach in identifying and minimizing the impact of hazards on its operations. It is noted that, in 2022, the company completed a full on-site International Air Transport Association (IATA) Operational Safety Audit through an external third-party agency, against over 950 IATA Standards and Recommended Practices. It also passed an evaluation and assessment of the group safety management system by the Hong Kong Civil Aviation Department.

# Non-Hang Seng Index Category (Medium Market Capitalization) Category

## ESG AWARD

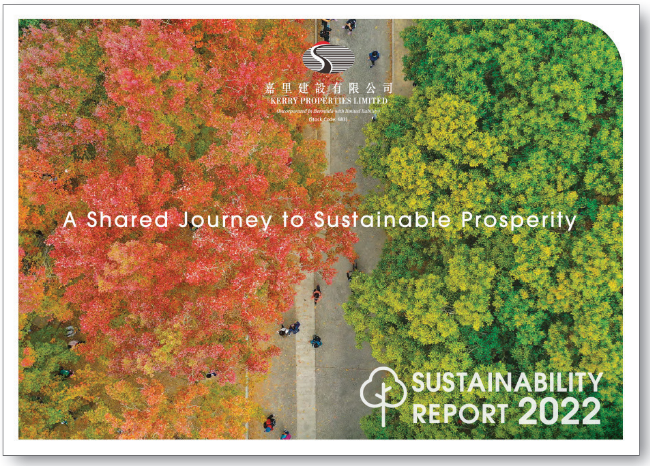
## Kerry Properties Limited

- Click here for the Sustainability Report

## Findings

1. Kerry Properties Limited (Kerry)'s Vision 2030 strategy seeks to scale up its efforts through collaboration with stakeholders to contribute to the UN SDGs, aligning with the sustainability roadmap of the group.

   The strategy is built on four focus areas: Environment, People, Community and Value Chain, reflecting its commitment to making every aspect of its operations a driver of sustainability for a better future, including the achievement of 18 targets set across its four pillars.




2. The Sustainability Steering Committee is appointed by the board and is chaired by the company's ED and board member. The chairman is the designated senior decision-maker for ESG and climate-related issues.

   Four sub-committees and taskforces have been established under the steering committee, focused on carrying out different functions to address environmental and social impacts. Their work includes evaluating the company's management approach for each material topic, conducting stakeholder surveys, and benchmarking with peers and best practices.

3. To determine materiality topics, Kerry conducted an annual materiality assessment to understand stakeholders' expectations. As the financial impact of ESG is increasing, becoming another lens to view materiality, the principle of double materiality has been adopted to comprehensively prioritize the sustainability topics. The company considered both the impact on the environment and society and financial performance, while taking sustainability megatrends, regulatory updates and stakeholders' focuses into account.

## Findings

4. There is transparent disclosure of the company's social and environmental statistics for both the current and prior years, accompanied by reasoned explanations, to facilitate understanding of Kerry's performance in these areas. For example, it is explained that the significant increase in Scope 1 emissions in Hong Kong was due to the purchase of refrigerants at its properties this year. The significant increase in Scope 3 emissions in the Mainland was due to the expansion of scope for electricity consumption by customers and tenants' EVs at its EV charging stations this year.

5. In terms of establishing environmental targets, including the GHG emission targets, against the company's actual performance over the years, it is noted that:

   - The company has developed short-, medium-, and long-term carbon reduction targets with corresponding measures. Despite potential challenges, it is committed to investing resources to support carbon reduction and achieve carbon neutrality by 2050, contributing to a sustainable future.
   - The company has used charts to illustrate its GHG emissions and energy consumption performance in both Hong Kong and the Mainland. These charts demonstrate that the company is on track to achieve the relevant targets.

6. An independent third party was engaged to assure its ESG report, covering:

   - the whole report, with focuses on systems and activities of Kerry in Hong Kong and the Mainland, which included property development, investment, management and leasing in residential, shopping malls, office towers and apartments, during the period from 1st January 2022 to 31st December 2022; and
   - evaluation of the nature and extent of the company's adherence to four reporting principles: Inclusivity, Materiality, Responsiveness and Impact.

# Non-Hang Seng Index Category (Medium Market Capitalization) Category

## ESG AWARD

## VTech Holdings Limited

- Click here for the Sustainability Report

## Findings


1. VTech Holdings Limited (VTech) has produced a clear and well-structured Sustainability Report, which provides comprehensive information on the company's ESG strategies, governance practices, reporting principles, and disclosure of KPIs. The report is designed to be easily readable and accessible to stakeholders. It fully complies with and, in some instances, exceeds reporting requirements.

2. VTech has developed sustainable strategies with a vision to create value that enhances lives and protects the planet for future generations. The company's mission is to integrate economic growth, environmental protection, and social responsibility into its business strategies. It aims to design, manufacture, and supply innovative, high-quality products that promote wellbeing and benefit society as a whole.

3. The board-level Risk Management and Sustainability Committee (RMSC) oversees sustainability activities, sets strategies, monitors progress, and addresses issues at the appropriate level within the company. It also has oversight of all ESG issues. It is responsible for identifying and evaluating ESG risks and opportunities, which have been integrated into VTech's Sustainability Plan 2025.

   Risks are further classified into physical risks, including those related to extreme weather events, and transition risks, associated with transitioning to a low-carbon and greener economy.

4. VTech has launched the second 5-year Sustainability Plan 2025, which expands on its commitment to sustainability improvement compared with the first plan. The plan encompasses several sustainability pillars, including Governance and Business Ethics, Product Responsibilities and Value Chain Management, Environment, Our People, and Society. Each pillar outlines specific strategy themes, approaches, and targets for FY2024 and FY2025, providing a comprehensive roadmap for VTech's sustainability efforts.

## Findings

5. In order to reduce the Scope 3 carbon emissions from downstream transportation, VTech has adopted a green logistics management approach to choose the most ecofriendly transportation mode for the shipment of its products, and establish overseas warehouses in close proximity to its customers in major countries, to shorten the distance for goods delivery. Specifically, emission data from FY2020 to FY2023 has been disclosed.

   In the report, Scope 3 emissions include GHG emissions data from the ocean shipment of contractors engaged by VTech. In FY2022, indirect emissions from air shipment was added to the data reporting boundary. Emission factors are referenced from the GaBi Database.

6. VTech engaged a third party to conduct an independent verification of its Sustainability Report and to provide a reasonable level of assurance on the reliability of the report's content.

# Non-Hang Seng Index Category (Small Market Capitalization) Category

## ESG
## SPECIAL MENTION

## Landsea Green Management Limited

- Click here for the Environmental, Social and Governance Report

## Findings

1. As a small market capitalization company, Landsea Green Management Limited (Landsea) has set up a credible and multi-unit governance structure on sustainability, including ESG Work Center & ESG Working Group, ESG Committee, and Sustainable Development Supervision Committee.

   Adhering to the vision of becoming "A Sustainable Green Company", Landsea has continued to promote the full integration of ESG core concepts and standards into its CG, through closely communicating with stakeholders and taking into account both environmental and social benefits in development.


2. The board was engaged in the process of materiality assessment. In 2022, Landsea engaged a professional agency to conduct stakeholder surveys. 310 stakeholder survey questionnaires were collected. After consulting with experts and having a management discussion and the board's final review, 26 material ESG issues (including climate risks) related to Landsea's operations were identified.

3. Landsea conducted a potential risk assessment on climate change with reference to the TCFD recommendations, in response to the HKEX's Guidance on Climate Disclosures, and structured its reporting to focus on the four core categories of Governance, Strategy, Risk Management and Indicators and Targets.

   The company conducted a comprehensive verification of GHG emissions from its operations (Scope 1, Scope 2) and value chain (Scope 3) and obtained a deeper understanding of its current emission status. As a real estate enterprise, in addition to the direct and indirect carbon emissions (Scopes 1 and 2) generated by its operations, the company indicated that the indirect carbon emissions related to products and services (Scope 3) in Landsea's upstream and downstream value chain could not be ignored.

## Findings

Against such the background, the following challenging targets have been set:

- Scope 1: Achieve carbon neutrality in by 2023
- Scope 2: Achieve carbon neutrality in by 2028
- Scope 3: Strive to achieve carbon neutrality by 2030

4. The company has a sound customer complaint mechanism, understanding carefully its customers' opinions and suggestions, strictly implementing relevant corrective and improvement measures, and conducting follow-up visits after the complaint handling process, to ensure that customer needs are met. It is noted that, if a complaint is not resolved within 7 days, the person responsible for complaint handling must inform the customer service in charge and the general project manager of the progress in writing, and report to the general manager's office as appropriate.

5. Landsea uses the UN SDGs as a guide, and its well-established closed-loop management system and explicit governance structure to drive ESG performance management and improvement, and establish a leading and scientific system for goal management and performance evaluation. Selected ESG KPIs in three consecutive years (2020 to 2022) have been disclosed for comparison.

6. A third party was engaged to conduct a limited assurance on information and data relating to sustainable development.

# H-share Companies and Other Mainland Enterprises Category

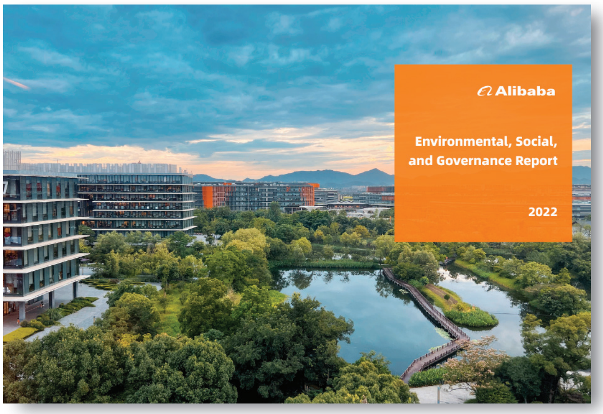
## ESG
## SPECIAL MENTION

## Alibaba Group Holding Limited

- Click here for the Environmental, Social and Governance Report

### Findings

1. Alibaba Group Holding Limited (Alibaba) aims to build a green and sustainable new business ecosystem and create value beyond commercial outcomes. Its ESG plan focuses on the following seven stated strategies of action, based on its capabilities and priorities:




   - *Restoring our green planet*: Addressing major environmental issues such as climate change.
   - *Supporting our people*: Building a people-first culture that offers an equal, inclusive, and dignified environment in which every employee can grow and develop.
   - *Enabling a sustainable digital life*: Leveraging the power of technology to bring a better and more responsible digital lifestyle for everyone.
   - *Fuelling small businesses*: Creating more growth opportunities for micro, small, and medium enterprises and entrepreneurs, through technology and business innovations.
   - *Enhancing community inclusion and resilience*: Sharing dividends of development with disadvantaged groups and underserved regions, and thus building more inclusive and resilient communities.
   - *Facilitating participatory philanthropy*: Fostering a culture of participatory philanthropy by integrating community resources with creative platform innovations.
   - *Building corporate and social trust*: Building corporate trust by establishing an effective, transparent, and sound governance system; building social trust with ethical technology, and protecting user privacy and data security

2. Alibaba's board-level Sustainability Committee oversees and supervises its ESG strategy and implementation, including climate risk management and carbon neutrality goals. The Sustainability Steering Committee works with the ESG working group to plan and implement its ESG strategies.

## Findings

3. Alibaba explains how it takes seriously its role as the gatekeeper for consumers on its platforms, and the company strives to establish clear and enforced rules, while developing and using the latest technology to support this role. The company has established a digital quality-assurance mechanism and has taken measures to govern it. For example, Tmall carries out strict management of merchant platform entry, advertising and quality, inspection and sampling, and so on. The company carefully developed and maintained quality control processes that are appropriate for each of its diverse services.

4. Alibaba has pledged to achieve carbon neutrality (Scopes 1 and 2) in its own operations by 2030, as well as, by 2030, to collaborate with its upstream and downstream value chain partners to cut emission intensity by 50% from the base year of 2020 (Scope 3). In addition, Alibaba Cloud will achieve Scope 3 carbon neutrality during the same period.

5. The company continues to improve its internal talent transfer system in order to fully encourage free choices and flows of internal talent and provide its employees with the best opportunities to fully develop their skills and careers. In FY2022, a total of 7,077 employees took the initiative to transfer internally, making Alibaba itself a vibrant talent market offering diverse opportunities.

# H-share Companies and Other Mainland Enterprises Category

## ESG
## SPECIAL MENTION

### COSCO SHIPPING Ports Limited

- Click here for the Sustainability Report

## Findings


1. COSCO Shipping Ports Limited (COSCO) discloses good coverage of ESG strategies and governance and is responsive to stakeholders' concerns, actively engaging and addressing the interests and feedback of relevant parties. Furthermore, COSCO provides clear and transparent disclosure of its social and environmental targets, as well as its achievements in these areas.

2. COSCO adheres to "The Ports for ALL" as its corporate philosophy and seeks to achieve relevant UN SDGs to create shared value for stakeholders and communities. Apart from global business expansion towards the new five-year development plan, the company seeks to integrate the principles of sustainability into its daily management, operations and culture, to fulfil its corporate responsibility and commitment to the environment and society.

   As a responsible corporate citizen, the company makes reference to the UN SDGs, integrating the five goals most relevant to, and most influential on, its business operations into the company's five sustainable development areas, which are Caring for our People, Customers First, Green Development, Win-win Cooperation and Investing in Communities.

3. The company endeavours to maintain good and close communication with stakeholders through diverse channels, to better understand their comments and expectations on its sustainability strategies, goals and daily operations, in order to further improve the management of sustainable development. The company has indicated the material issues raised by key stakeholders and its responses. It also explains that the company made reference to HKEX's ESG Reporting Guide, the GRI Universal Standards 2021 and material topics of other domestic and international ports and shipping companies, to integrate and adjust the number of sustainability issues in its materiality assessment from 45 in 2021 to 32 for the current year.

## Findings

4. The company set goals for four environmental performance indicators, intensifying efforts in energy saving and emission reduction and resource management, and further promoted green and low-carbon transformation in its subsidiaries:

   - Reduction in GHG emissions: To reduce the GHG (Scope 1 and Scope 2) emission intensity of its subsidiaries by 20% in 2030, setting 2020 as the base year, and to achieve carbon neutrality no later than 2060.
   - Improvement in energy use efficiency: To reduce the energy consumption intensity of its subsidiaries by 15% in 2030, setting 2020 as the base year.
   - Improvement in water efficiency: To enhance the management of water resources and improve water efficiency.
   - Reduction in waste: To maintain 100% hazard-free disposal for hazardous waste and to reduce domestic waste by terminals and, in the long term, achieve the goal of zero domestic waste sent to landfills for non-hazardous waste.

   The performance of the subsidiaries in 2022 towards these targets has been quantified and measured in the company's Sustainablilty Report.

   COSCO's GHG (Scope 3) emissions include indirect GHG emissions from the provision of shore power to ships, waste paper disposed of in landfills, and electricity consumed by governmental departments to treat potable water and sewage.

5. COSCO engaged an independent party to conduct a verification of its Sustainability Report, covering the economic, safety, environmental, and social performance of the company within and outside of Hong Kong. The verification provides reasonable assurance of the reliability of the report's contents.

# H-share Companies and Other Mainland Enterprises Category

## ESG
## SPECIAL MENTION

### Geely Automobile Holdings Limited

- Click here for the Environmental, Social and Governance Report

## Findings


1. In order to realise the sustainability vision of "A Sustainable Future, A Better World", Geely Automobile Holdings Limited (Geely) has formulated an ESG strategy with six major directions, to outline its sustainability vision, mission, strategic directions and key actions. The aim is to give clearer guidance internally to plan relevant work, and enable stakeholders to have a better understanding on its future plans, and to measure its performance externally.

2. The company's Sustainability Committee held six meetings in 2022-23, and invited the key management personnel and the ESG Joint Working Group to discuss together the key topics for the group's planning on ESG development. The Sustainability Committee provided recommendations on material issues to the board for further review and approval.

3. There is a concise table on stakeholder engagement in the Environmental, Social and Governance Report, which summarizes categories of stakeholders (investors, employees, dealers, suppliers, customers, government and regulators, and communities), issues of concern, communication and feedback channels, as well as the frequency of communication.

4. The group's carbon management is based on the carbon footprints throughout the product lifecycle. According to note 10 to Appendix 2, GHG emissions Scope 3 include the following categories, with explanations on how they have been calculated:

   - Purchased goods and services: mainly based on the upstream industrial chain data, calculated according to the material structure (without considering the material utilization rate) and the carbon emission factors published by the China Automotive Technology and Research Center, and the data adopted from the suppliers' Life Cycle Assessment report submitted to Geely.

   - Logistics: including incoming logistics, outgoing logistics and after-sales logistics, excluding export logistics data. The data is based on the enterprise logistics settlement fees (settled per kilometre and per cubic meter).

## Findings

- Use of sold products (including direct and indirect emissions), with data based on the announced fuel consumption and power consumption of each model, and the mileage calculated based on an average of 150,000 kilometres.

- Employee commuting: Calculated based on the data of Geely's commuter buses and company cars.

- Business travel: Including the data of employees' official travel by plane and train booked on "Geely Business Travel".

5. Geely set targets to reduce the lifecycle carbon emissions per vehicle by 25% by 2025 (short-term) with 2020 as baseline, by 68% by 2035 (medium-term) and to achieve carbon neutrality by 2045 (long-term). It sets out this information in a roadmap diagram with key actions to be taken. The company also set out its key actions to implement the other five directions in it ESG strategy.

# H-share Companies and Other Mainland Enterprises Category

## ESG
## SPECIAL MENTION

### JD Logistics, Inc.

• Click here for the Environmental, Social and Governance Report

## Findings


1. JD Logistics, Inc. (JDL) has a clear mission of "driving superior efficiency and sustainability for global supply chain through technology", and states its commitment to becoming the world's most trusted supply chain solutions and logistics services provider.

2. The board of directors assumes full responsibility for the development of ESG strategies and information disclosure. The board of directors and its ESG Management Committee also take responsibility for evaluating, prioritizing, and managing substantive ESG issues (including risks), and conducting normalized supervision and management of key ESG performance targets and achievements.

3. JDL has a sound top-level ESG governance structure. In 2022, the company upgraded its ESG structure by formally establishing the ESG Management Committee, which is headed by the CEO and includes heads and leaders from six business/functional departments among other members, to improve the company's ESG risk management, supporting ESG trend analysis and contributing to business decision-making and development. The committee reports on the progress of ESG management to the board of directors quarterly.

4. To effectively address the impacts and challenges brought by climate change, JDL has incorporated climate management-related functions into its ESG governance structure and established a climate change management system with the board as the highest decision-making level.

5. JDL explains clearly how it conducted a materiality assessment via a combination of questionnaire surveys and interviews to evaluate the impact of ESG issues on internal and external stakeholders, and received confirmation from the board. The double materiality method (i.e. the importance to stakeholders and the importance to JDL) was applied to address stakeholders' concerns. Furthermore, the company aligned the highly important material issues with relevant UN SDGs to help guide its sustainable development.

## Findings

6. JDL referred to the TCFD recommendations to enhance its identification, analysis, and management of climate change-related risks and opportunities. In addition, the company has improved its climate change risk management process based on the TCFD framework and further integrated climate risk into its risk management.

7. JDL has gained recognition for its ESG responsibility including the following:

   - One of the Top 25 Brand Finance Logistics in 2022 by Brand Finance, a globally-recognized brand valuation agency, and awarded the Top 10 Strongest Global Logistics Brands in 2022
   - Ranked fifth in the global logistics and warehousing industry sub-list of the Global IoT Top 500
   - Shortlisted for Sustainable China Industry Best Practices by APEC China Business Council

# H-share Companies and Other Mainland Enterprises Category

## ESG
## SPECIAL MENTION

### Tencent Holdings Limited

- Click here for the Environmental, Social and Governance Report

## Findings


1. Tencent Holdings Limited (Tencent) promotes the values of Integrity, Proactivity, Collaboration, Creativity as its guiding principles for long-term sustainable development.

2. The company addresses stakeholders' concerns at various places throughout the report:
    - Working with stakeholders to launch a variety of technology courses to promote technology education and expand children's opportunities in the digital era.
    - To handle harmful content, Tencent strictly follows relevant laws and regulations, has built a comprehensive case management and risk assessment mechanism, clarified relevant management standards, and optimized communication and appeal channels with all stakeholders.

3. The company values the views of its employees and engaged an independent third-party organization to conduct annual employee engagement and satisfaction surveys regarding their experience at Tencent, cultural/values, corporate strategy and long-term development. In 2022, more than 80% of the employees expressed their satisfaction with cultural/values. This has remained as one of the top three attributes in the survey for four consecutive years.

4. In 2022, Tencent allocated RMB5.8 billion in areas related to Sustainable Social Value and the Common Prosperity Programme, including research in basic sciences, rural revitalization, and digital philanthropy. Going forward, the company will continue to invest in projects that have been vetted and proven to generate social value.

## Findings

5. Quantitative environmental targets have been established by Tencent:
   - A helpful summary is available to show how the company is responding to the environmental challenges, including establishing the quantitative targets.
   - Carbon neutrality target: Achieve carbon neutrality in its operations and supply chain by 2030.
   - Absolute reduction pathway: Achieve a 70% reduction in absolute Scope 1 and 2 emissions, and a 30% reduction in absolute Scope 3 emissions from a 2021 base year by 2030.

     Scope 3 emissions reduction efforts have been initiated by assessing potential opportunities for carbon reduction across procurement and downstream leasing premises, and the company will formulate improvement measures accordingly.

6. The company explains in its Environmental, Social and Governance Report that, in aiming to achieve carbon neutrality, it follows the principle of reducing emissions and using renewable energy first, and then exploring carbon offset and carbon capture technologies.

7. An independent consultant was engaged to conduct a limited assurance on selected ESG KPIs, in accordance with ISAE 3000 (Revised).

# Public Sector/Not-for-profit Organizations (Large) Category

## ESG AWARD

## Hong Kong Monetary Authority

- Click here for the Sustainability Report

### Findings

1. Hong Kong Monetary Authority (HKMA)'s Corporate Social Responsibility and Sustainability Committee, which steers the formulation and implementation of the HKMA's sustainability strategies, is chaired by the chief executive, and includes the three deputy chief executives and representatives from the Risk and Compliance Department and the Corporate Services Department as members. This demonstrates high-level decision-making and accountability for ESG policies and strategies


2. HKMA's ESG strategy exemplifies a strong commitment to fostering a green workplace and promoting financial inclusion. As the banking regulator of Hong Kong, the HKMA has formulated a two-year plan, which was communicated to the industry in June 2022, to incorporate climate risk factors into its supervisory processes. The two-year plan encompassed six key initiatives, namely:
   - Including climate risk management as a standing item of prudential meetings
   - Updating the HKMA's risk assessment framework for banks to incorporate climate risk considerations
   - Conducting thematic examinations on selected areas of climate risk management
   - Integrating climate risk stress tests into the supervisor-driven stress testing framework
   - Enhancing the HKMA's "greenness" assessment framework for banks
   - Keeping the capital framework under review.

## Findings

3. The Authority actively engages in international conferences and forums, playing an instrumental role in promoting discussions on addressing the interplay between climate change and financial stability at both regional and international levels.

   Locally, the Green and Sustainable Finance Cross-Agency Steering Group, which is co-chaired by the HKMA and the SFC, co-ordinates the management of climate and environmental risks in the financial sector, accelerates the growth of green and sustainable finance in Hong Kong and supports the government's climate strategies.

4. The Authority has formulated a clear environmental sustainability roadmap. In 2021, the HKMA began research and targeted to achieve "zero carbon emissions" by 2025. It is explained that the two major risks that the HKMA faces in its operations include the physical effects of climate change (physical risks) and the transition to a net-zero economy (transition risks). It has also developed a series of policies to reduce indirect emissions from the organization's consumption of purchased electricity, steam, heating or cooling, by 63% by 2023, using 2015 as the base year.

5. In terms of the actual implementation, HKMA has launched various energy-saving measures and a "paperless" approach within the organization to reduce the negative impact on the environment, such as installing LED lighting, setting the air-conditioned temperature at 25°C, presetting office equipment to power-saving mode, etc. It continued to implement the "4R" principles of reduce, reuse, recycle and recover for stepping up waste management to reduce waste at source.

   The HKMA's Sustainability Report discloses eight years of KPIs related to energy intensity, GHG intensity, paper consumption intensity and non-hazardous waste intensity.

6. HKMA has achieved a good ESG standard with a clear and reader-friendly Sustainability Report. To enhance the report's credibility, the HKMA appointed an independent agency to verify its climate targets and environmental data in 2022, as well as changes to them compared with the 2015 levels. This demonstrates the HKMA's commitment to transparent and accountable reporting.

Hong Kong Institute of
Certified Public Accountants
香港會計師公會

50th Anniversary

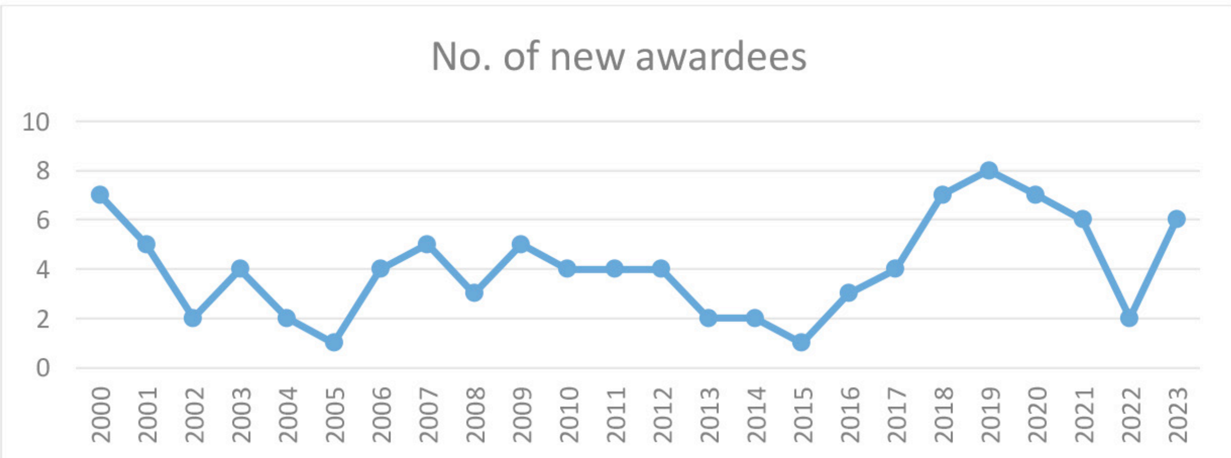
# Marking the Institute's 50th Anniversary and 23 years of the Awards

As the Institute celebrates its 50th anniversary, we have been looking back at the development of the Awards, which have been one of the HKICPA's flagship projects for not far short of half the existence of the Institute. We have looked in particular at the number of different awardees over the past 23 years since the inception of the Awards in 2000. Generally, the past two decades can be divided into three stages, as follows:

- From 2000 to 2010: Four levels of CG Awards were available to recognize listed companies and public sector organizations (collectively referred to as "companies") with a high standard of CG disclosures and practices, namely, Diamond, Platinum, Gold and Special Mention. Over this period, the number of different categories in which companies were judged was expanded.

- From 2011 to 2020: In addition to the CG Awards, ESG Awards were introduced initially as an overall award and then expanded to two levels, namely ESG Award and Special Mention, to acknowledge companies with a high standard of sustainability and social responsibility, or ESG, disclosures and practices.

- From 2021 to the present: Four levels (see above) of Most Sustainable Companies/ Organizations Awards were introduced to acknowledge those companies that demonstrate exceptional performance in both CG and ESG. While separate awards for CG and for ESG have been retained, appreciating that it takes time for most companies to fully integrate CG and ESG considerations into their values, strategies and operations, only two levels of awards are offered for CG and ESG performance (see above).



In general, the number of new awardees has ranged from one to eight each year over past 23 years.

In stage one, on average, there were 3.8 new awardees each year. No substantial increments were noted during that period. At this time, awareness of the benefits of adopting good CG practices seemed to be growing only gradually and, given also that regulatory frameworks were developing and raising the minimum required standards of transparency and accountability across the board, many companies would have found it challenging just to keep pace with their basic obligations. As our Awards have always tried to identify companies that take the initiative to adopt significantly higher standards of CG, the number of such companies would have been limited.

In stages 2 and 3, we saw the number of awardees starting to climb up from 2015 until 2019, followed by a decline in the subsequent few years, before observing a strong rebound this year. The majority of these recent first-time winners have been ESG awardees. The reason for this may be due to the following:

- An increased regulatory focus on ESG, while the attention in CG was directed more towards specific areas, such as board diversity, independence and refreshment. Regulatory bodies, including HKEX and the SFC, have been actively promoting better ESG disclosure and practices. In 2013, HKEX introduced the ESG Reporting Guide as an appendix to the Listing Rules, mandating listed companies to disclose certain information about their ESG performance and policies. These regulatory initiatives have incentivized companies to prioritize ESG.

- Requirements on directors' reports (business review) with an emphasis on ESG, were introduced in Schedule 5, section 2 of the new Companies Ordinance (Cap. 622) and applied to relevant companies' reports starting from 2015. They state:

  To the extent necessary for an understanding of the development, performance or position of the company's business, a business review must include—

  (a) an analysis using financial key performance indicators;

  (b) a discussion on—

    (i) the company's environmental policies and performance; and

    (ii) the company's compliance with the relevant laws and regulations that have a significant impact on the company; and

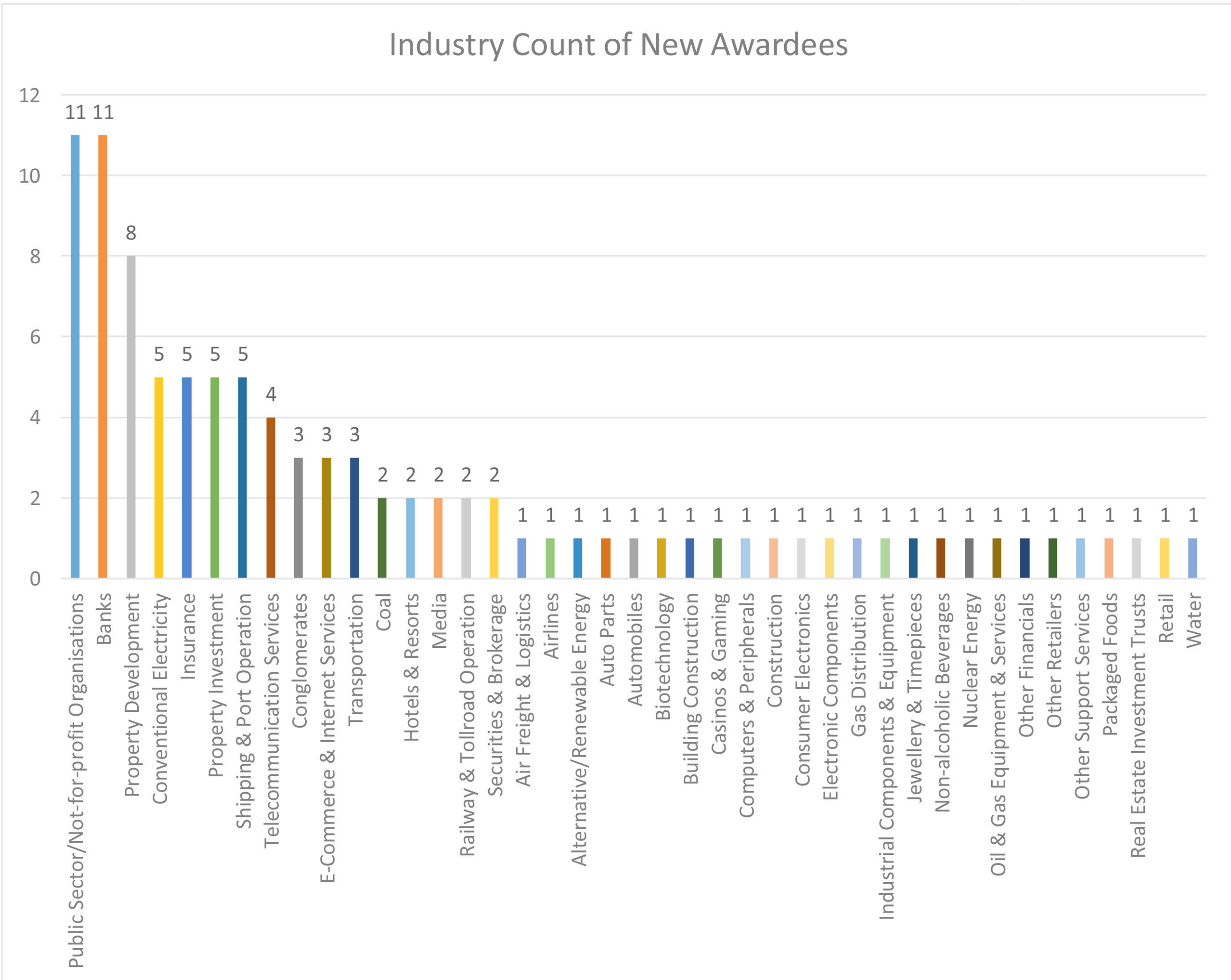
  (c) an account of the company's key relationships with its employees, customers and suppliers and others that have a significant impact on the company and on which the company's success depends

  These provisions were subsequently imported into the Listing Rules to apply to listed companies (Appendix 16, paragraph 28, of the MBLRs and Rule 18.07A(2) of the GEMLRs.

- With the increasing recognition of ESG factors in assessing long-term performance, sustainability and value creation, investors and stakeholders started to place greater emphasis on integrating ESG considerations into corporate practices. In addition, industry associations, investor networks, and sustainability initiatives have been promoting ESG awareness and best practices among Hong Kong listed companies. As a result, companies may be more motivated to seek recognition through ESG awards, among other channels, as a validation of their efforts, and an opportunity to enhance their reputations as a socially responsible organizations.

- ESG frameworks and standards, such as the GRI, the UN SDGs, SASB and, more recently, the TCFD and ISS have established influential guidelines and benchmarks for companies to evaluate and disclose their ESG performance. These frameworks are also playing a role in the development of more standardized ESG practices and reporting. This has also helped facilitate the assessment process in our ESG Awards.
- So far, there have been no new winners among MSCO award winners; all MSCO winners have been past CG or ESG awardees. While this may be slightly disappointing, this level of award is still relatively new, and it is not totally unexpected, since many companies will still find it challenging to integrate CG and ESG considerations into their strategies and operation.

It is also noted that the new awardees have come mainly from the public sector, banking and the property development sectors. The following may be among the reasons for this:



- We have emphasized all along that the public sector/ not-for-profit organizations is an important category, as these bodies may provide essential services in a range of different areas. As they may be using public funds, they have a duty to establish good financial management processes and controls, and to be transparent and accountable for their use of public monies. Therefore, we have always hoped to see more public sector organizations taking the initiative to improve their CG and ESG practices and disclosures. To encourage their progress, whenever reasonable, the judges have leaned towards generosity in borderline cases and recognized good efforts and commitment with a Special Mention. The aim has been that these awardees can set good examples for other similar organizations to follow by stepping up their CG/ ESG performance.

- In 2019, we introduced the Self-Nomination Awards, targeting public sector/ not-for-profit organizations, as well as small market capitalization listed companies. These are sectors that may otherwise feel less external pressure to develop their CG/ ESG performance because they will generally not be a focus of attention by institutional investors or activist stakeholders. This category of awards has allowed them to come forward and share their CG and/or ESG initiatives with the Institute, even if they did not quite meet the threshold to win one of the main honours in the Awards. As a result, we have seen more new public sector entities receiving recognition over the years.

- It is noted that the banking and property sectors lead the way with the number of new award winners in the private sector. The banking sector plays a significant role in Hong Kong's economy and is subject to extensive regulation. Given the role of banks within the community and the financial system, they often face a higher level of scrutiny and regulatory requirements, which can drive them to prioritize good CG and ESG practices. As the property sector in Hong Kong is also very prominent and high profile, companies in this sector may see improving their CG and ESG standard, and gaining awards, as a means of enhancing their reputation with both investors and the public. Another factor here could well be that they are often family businesses, where the reins are gradually being handed over to the next generation, who may be expected to have a higher level of awareness of the importance of ESG-related issues.

  Both sectors are major contributors to Hong Kong's economy and attract significant investor interest. Companies in these sectors may feel some pressure to continually improve their CG and ESG performance to align with investor expectations and to attract more investment.

  In addition, both of the sectors are exposed to various risks, such as financial risks, regulatory risks, and environmental risks. Adopting robust CG and ESG practices can help mitigate these risks, ensuring long-term viability and resilience for companies in these sectors.

In total, since the first Awards in 2000, almost 100 different companies and public sector/ not-for-profit organizations have been recognized for their outstanding CG and/or ESG performances. We would like to express our appreciation to all the winners for their commitment the development of good CG and ESG in Hong Kong and for their support in the first 23 years of the Awards. We look forward to their continued participation, and to the emergence of many more new awardees in future years, as more companies begin to understand that embedding good CG and ESG into the heart of their business can help to build resilience and a establish a platform for long-term success.

For ease of reference, the table below shows all the past winners that have gained at least five honours in our awards between 2000 - 2023, together with the number of awards that they have won, which may include awards in various different categories, some of which may have undergone changes over the years (e.g., been consolidated, subdivided or expanded) and also awards at different levels.

| Award-winning companies | Total Accolades Received* (2000-Present) | MSCO Awards | CG Awards Awards | ESG Awards Awards |
|---|---|---|---|---|
| CLP Holdings Limited | 34 | 3 | 21 | 10 |
| Airport Authority Hong Kong | 25 | 2 | 18 | 5 |
| Hong Kong Exchanges and Clearing Limited | 24 | 3 | 19 | 2 |
| Hysan Development Company Limited | 21 | 1 | 20 | - |
| Securities and Futures Commission | 21 | - | 21 | - |
| The Hongkong and Shanghai Hotels, Limited | 17 | 3 | 9 | 5 |
| HSBC Holdings plc | 15 | 1 | 14 | - |
| Lenovo Group Limited | 14 | 3 | 8 | 3 |
| Standard Chartered PLC | 12 | 3 | 9 | - |
| MTR Corporation Limited | 11 | 2 | 9 | - |
| Prudential Plc. | 10 | 3 | 7 | - |
| Li & Fung Limited | 9 | - | 9 | - |
| Mandatory Provident Fund Schemes Authority | 9 | - | 9 | - |
| Pacific Basin Shipping Limited | 9 | 3 | 6 | - |
| Link Real Estate Investment Trust | 8 | 3 | 5 | - |
| Transport International Holdings Limited | 8 | - | 8 | - |
| Swire Properties Limited | 7 | - | 1 | 6 |
| Jiangsu Expressway | 6 | - | 6 | - |
| VTech Holdings Limited | 6 | 1 | - | 5 |
| AAC Technologies Holdings Inc. | 5 | - | 4 | 1 |
| China Shenhua Energy | 5 | - | 3 | 2 |
| Chow Tai Fook Jewellery Group Limited | 5 | - | 5 | - |
| COSCO SHIPPING PORTS Limited | 5 | - | 2 | 3 |
| Hang Lung Group Limited | 5 | 1 | - | 4 |
| Industrial and Commercial Bank of China | 5 | - | 5 | - |
| Kerry Properties Limited | 5 | - | 4 | 1 |
| SOCAM Development Limited | 5 | - | 5 | - |
| The Hong Kong and China Gas Company Limited | 5 | - | - | 5 |

# Judges and Reviewers

The Institute would like to express its appreciation to the judges and reviewers for their invaluable contributions in reviewing, assessing and judging the entries in the 2023 Best CG and ESG Awards.

## Judging Panel

| | |
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| | CHEUNG Natasha, HKICPA |

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| | |
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| | WONG Thomas*, Nexia Charles Mar Fan Ltd. |
| | YE James *, Ace Sustainability & Risk Advisors Ltd. |
| | YIM Adele*, Mazars CPA Ltd. |
| | ** Also conducted ESG reviews* |
| | Compliance Review |
| | CHAN Mimosa, Ernst & Young |
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| | KWAN Gabriel, Modern Dental Group Limited |
| | LO Roy, SW Hong Kong |
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| | WONG Basilla, HLB Hodgson Impey Cheng Ltd. |
| | ESG Review |
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The Institute would like to thank the following supporting organizations of the 2023 Best CG and ESG Awards: (in alphabetical order):

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The Hong Kong Chartered Governance Institute
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The Institute would also like to thank the Awards Organizing Committee for its contribution and support in the development and organization of the Awards programme.

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CHENG Ricky
CHEUNG Cyrus
HA Eugene
KAM Eddie
LAM Sabrina
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