

# Hong Kong Institute of CPAs



## Best Corporate Governance and ESG Awards 2021

### Judges' Report



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



# 2021最佳企業管治及ESG大獎

## Best Corporate Governance and ESG Awards

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### Most Sustainable Companies/ Organizations Awards

#### Hang Seng Index Category

Platinum	CLP Holdings Limited
Gold	Hong Kong Exchanges and Clearing Limited
Special Mention	Link Real Estate Investment Trust

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

Platinum	Prudential plc
Gold	Standard Chartered PLC

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

Platinum	The Hongkong and Shanghai Hotels, Limited
Gold	Hysan Development Company Limited
Special Mention	Pacific Basin Shipping Limited

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

Gold	Lenovo Group Limited
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#### Public Sector/Not-for-profit (Large) Category

Gold	Airport Authority Hong Kong
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# 2021最佳企業管治及ESG大獎

## Best Corporate Governance and ESG Awards

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### Corporate Governance Awards

#### Hang Seng Index Category

Special Mention AAC Technologies Holdings Inc.

Special Mention AIA Group Limited\*

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

Award Chow Tai Fook Jewellery Group Limited

Special Mention HKT Trust and HKT Limited\*

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

Special Mention Convenience Retail Asia Limited

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

Special Mention China Power International Development Limited

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

Award Securities and Futures Commission

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

Special Mention Mandatory Provident Fund Schemes Authority

\* new awardee

# 2021最佳企業管治及ESG大獎

## Best Corporate Governance and ESG Awards

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### ESG Awards

#### Hang Seng Index Category

Special Mention The Hong Kong and China Gas Company Limited

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

Award Swire Properties Limited  
Special Mention Manulife Financial Corporation^  
Special Mention Sino Land Company Limited\*

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

Special Mention Hang Lung Group Limited  
Special Mention VTech Holdings Limited

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

Special Mention China Everbright Greentech Limited  
Special Mention China Everbright Water Limited\*

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

Special Mention China Resources Power Holdings Company Limited\*

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

Award Drainage Services Department

### Commendation on Website Corporate Governance Information

Tsim Sha Tsui Properties Limited\*

\* new awardee

^ First-time winner of one of the main awards

# Introduction

## Background

The Hong Kong Institute of Certified Public Accountants is proud to be launching Best Corporate Governance and ESG Awards (“Awards” or “Best CG & ESGA”), previously known as Best Corporate Governance Awards, which were first organized in 2000. This year, the Awards have been renamed and refocused in order to reflect the increasing importance of environmental, social and governance (“ESG”) reporting and practices for listed companies<sup>1</sup> and public sector / not-for-profit organizations, and their investors and stakeholders.

The revamped Awards aim to emphasize the need for companies and organizations to achieve high standards of both CG and ESG, and to encourage them to integrate these two aspects of their performance.

The Awards are seen as being an objective and rigorous assessment of the CG and ESG practices, information disclosure and culture of listed companies and public sector/ not-for-profit organizations of all different sizes, and in various different sectors. It is pleasing to see, therefore, that, over the years, the winners have consistently regarded their awards as a significant achievement and accolade.

This year, there were five main types of awards:

<b>1. Most Sustainable Companies / Organizations (“MSCO”) Awards</b>	
<ul style="list-style-type: none"><li>• The MSCO awards aim to reflect “sustainability” in its broadest sense, not merely focusing on ESG. This newly-launched, highest category of awards aims to give recognition to companies and public sector organizations that have performed to a high standard in both CG and ESG, and that are taking steps to integrate these two elements within their strategy and operations. They are more likely to be prepared for the challenges ahead and have a clear a vision for long-term success, and 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 and Special Mentions.</li><li>• For shortlisted companies that perform to a high standard in either CG or ESG, but still have more to do in terms of integration and bringing both aspects up to an equivalently high level, separate CG or ESG awards may be given out.</li></ul>	
<b>2. Corporate Governance Awards</b>	<b>3. ESG Awards</b>
Two levels of Awards are available, namely, Corporate Governance Award and Special Mention.	Two levels of Awards are available, namely, ESG Award and Special Mention.
<b>4. Commendations for Website Corporate Governance Information</b>	
Open to candidates that have not won any of main the awards in 1-3 above.	
<b>5. Self-Nomination Awards for Good Corporate Governance/ ESG Practices</b>	
Open to companies in the small market capitalization category and public sector/ not-for-profit organizations.	

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. The Institute would also like to thank the companies that submit applications or otherwise allow 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 strategy and operations to support their long-term sustainability, (ii) establish benchmarks of overall sustainability, CG and ESG best practice in Hong Kong and (iii) encourage more companies to refer to those benchmarks and improve their own overall sustainability, CG and ESG standards. Primarily through disclosures in annual reports and ESG reports<sup>1</sup>, 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 companies
  - large market capitalization
  - medium market capitalization
  - small market capitalization
- ❖ H-share companies and other Mainland enterprises<sup>2</sup>
- ❖ Public sector / Not-for-profit organizations -
  - large organizations
  - small and medium-sized organizations

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<sup>1</sup> The term “ESG report” is used generally for reports that some companies may call by other names, e.g. “corporate social responsibility”, “social responsibility” or “sustainability” reports.

<sup>2</sup> 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.

The judging criteria for the Awards cover:

<b>1. Most Sustainable Companies / Organizations Awards</b>	
<ul style="list-style-type: none"> <li>• Equal weight is allocated to CG and ESG disclosures and practices, and companies need to demonstrate a high standard of performance in both areas. In addition, they should be taking steps to integrate these two elements into their strategy and operations.</li> <li>• Companies / organizations that excel in only one of the two areas will be eligible for consideration for separate CG or ESG Awards.</li> </ul>	
<b>2. Corporate Governance Awards</b>	<b>3. ESG Awards</b>
<ul style="list-style-type: none"> <li>• Promptness of reporting</li> </ul>	<ul style="list-style-type: none"> <li>• ESG strategy</li> </ul>
<ul style="list-style-type: none"> <li>• CG statement and practice</li> </ul>	<ul style="list-style-type: none"> <li>• ESG governance</li> </ul>
<ul style="list-style-type: none"> <li>• Capital structure</li> </ul>	<ul style="list-style-type: none"> <li>• Basis of reporting</li> </ul>
<ul style="list-style-type: none"> <li>• Board structure and functioning, including board diversity and evaluation</li> </ul>	<ul style="list-style-type: none"> <li>• Report content, including stakeholder inclusiveness, sustainability context, materiality, and completeness</li> </ul>
<ul style="list-style-type: none"> <li>• Management discussion and analysis (“MD&amp;A”), including a balanced discussion of performance and challenges</li> </ul>	<ul style="list-style-type: none"> <li>• Report quality, including accuracy and reliability, balance, clarity, comparability, and timeliness</li> </ul>
<ul style="list-style-type: none"> <li>• Remuneration policy and details of directors’ and senior management’s remuneration packages</li> </ul>	<ul style="list-style-type: none"> <li>• Performance indicators</li> </ul>
<ul style="list-style-type: none"> <li>• Nomination committee - work performed and nomination policies and processes</li> </ul>	<ul style="list-style-type: none"> <li>• Independent assurance</li> </ul>
<ul style="list-style-type: none"> <li>• Risk management and internal control, including reviews of the system</li> </ul>	<ul style="list-style-type: none"> <li>• Overall performance and presentation</li> </ul>
<ul style="list-style-type: none"> <li>• Connected transactions and relationships</li> </ul>	
<ul style="list-style-type: none"> <li>• Other voluntary disclosures relating to, e.g., investor relations and audit committees</li> </ul>	
<b>4. Commendations for Website Corporate Governance Information</b>	
<ul style="list-style-type: none"> <li>• The scope of disclosure of CG information, timeliness of information and the design and interactivity of websites are assessed.</li> </ul>	
<b>5. Self-Nomination Awards for Good Corporate Governance/ ESG Practices</b>	
<ul style="list-style-type: none"> <li>• Applicants are invited to explain key aspects of their CG and/or ESG frameworks and how their practices exceed the minimum requirements. Representatives may subsequently be invited to an interview by a panel of judges and reviewers to elaborate further on their self-nominations</li> </ul>	

For candidates being considered for the shortlists under award types 1, 2 and 3 above, a compliance review is also conducted, including an assessment of the transparency and presentation of compliance-related information.

In addition to the above criteria, the reviewers and judges may also take into account other relevant publicly-available information relating to companies.

The decision of the judges is final. In the event that the judges are unable to find entries of sufficient merit, they may decide not to give out certain awards.

## Reviewing and Judging Procedures 2021

This year, the Institute's initial screening covered more than 540 annual reports and the same number of ESG reports. These are among the highest numbers since the Awards was first established in year of 2000.

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 candidates for awards, 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 under 2 and 3 below, and whether they were integrating the two elements and then shortlisting the best for the judges' final assessment.
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 under the separate CG Awards, based on the results of two rounds of "quality reviews" and a "compliance review".
  - Carrying out a compliance review on those companies shortlisted 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. 612) and the Listing Rules, including the mandatory disclosure requirements under the Corporate Governance Code and Corporate Governance Report ("CG Code" - Appendix 14 of Main Board Listing Rules and Appendix 15 of the GEM Listing Rules).

### 3. ESG review

- Conducting detailed reviews of information in ESG reports (either standalone reports or the relevant sections in annual report) 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 recognition under the separate ESG Awards, 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 Main Board Listing Rules and Appendix 20 of the GEM Listing Rules).

### 4. Commendations for website CG information

- The websites of companies containing good CG-related information, which were identified during the initial vetting stage, were given a more detailed assessment.

### 5. Self-nomination Awards

- Non-HSI-constituent (small market capitalization) companies and public sector/ not-for-profit organizations were invited to put themselves forward for consideration on the basis of the quality of their overall CG/ ESG framework, including any recent developments, and to highlight any particularly strong features of their voluntary disclosures and practices. It was explained that an interview might then be conducted to hear directly from the applicants about their good CG/ ESG practices.

After the above processes, an initial briefing session was held for the judges and 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’ assessments and reviewers’ and APD management’s observations on the shortlisted 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 exceed the statutory and regulatory requirements and that 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. The reviewers and judges 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 ESG reports on matters of particular public interest or concern that may have been reported in the media.

## Recent CG and ESG related Developments

### Hong Kong

News, reviews, guidance and Listing Rule changes

- To combat climate change, individual citizens, the business sector, civil society and the Government, all have a role to play:
  - ❖ In her 2020 Policy Address, the chief executive of the Hong Kong SAR announced that Hong Kong will strive to achieve carbon neutrality before 2050. A growing number of governments around the world are setting targets to reach net zero emissions by 2050. Mainland China has made a similar commitment with 2060 as the end date. The Policy Address indicated that specific measures would be set out in a plan to be published by the Environment Bureau. The Environmental Bureau has [recently released](#)<sup>3</sup> Hong Kong's Climate Action Plan 2050 ("CAP"), setting out its vision and outlining the strategies and targets for combating climate change and achieving carbon neutrality, together with certain quantitative targets. Under the CAP, the government will pursue more rigorous interim decarbonization targets to reduce Hong Kong's carbon emissions by 50% before 2035, compared with 2005 levels.
  - ❖ In November 2021, The Stock Exchange of Hong Kong Limited ("the Exchange") [published guidance](#)<sup>4</sup> for listed issuers on climate disclosures. The guide provides practical tips and step-by-step guidance to assist issuers in preparing climate change reporting that is aligned with the recommendations of the Financial Stability Board's Task Force on Climate-related Financial Disclosures ("TCFD"), a global initiative that seeks to develop voluntary and consistent disclosure of climate change impacts.
  - ❖ Meanwhile, the Green and Sustainable Finance Cross-Agency Steering Group, consisting of co-chairs from the Hong Kong Monetary Authority ("HKMA") and the Securities and Futures Commission ("SFC"), and members from the Environment Bureau, Financial Services and the Treasury Bureau, the Exchange, the Insurance Authority and the Mandatory Provident Fund Schemes Authority, has agreed to implement, amongst others, climate-related disclosures aligned with the TCFD recommendations, which will be mandatory across relevant sectors no later than 2025. It is expected that more information on how companies and assets will be impacted by climate change will be available in the financial markets to support informed capital allocation and promote market discipline.
  - ❖ At the individual company level, while financial institutions are being asked to de-carbon their loan portfolios, and no longer lend to the worst polluters, this general trend seems to be extending further beyond the financial industry. It was, for example, reported that over 1,100 staff of a [major consultancy firm](#)<sup>5</sup> wrote an open letter calling for change in the company, which has advised over 40 of the 100 most environmentally damaging companies on business matters not related reducing their environmental impact.

<sup>3</sup> <https://www.info.gov.hk/gia/general/202110/08/P2021100800588.htm>

<sup>4</sup> [https://www.hkex.com.hk/News/Regulatory-Announcements/2021/211105news?sc\\_lang=en](https://www.hkex.com.hk/News/Regulatory-Announcements/2021/211105news?sc_lang=en)

<sup>5</sup> <https://www.nytimes-com.cdn.ampproject.org/c/s/www.nytimes.com/2021/10/27/business/mckinsey-climate-change.amp.html>

- In August 2021, the Business Environment Council published a report entitled, [Corporate Governance for Climate Resilience: Emerging Challenges & Opportunities for Companies in Hong Kong](https://www.bec.org.hk/sites/default/files/publications/Corporate_Governance_for_Climate_Resilience_final.pdf)<sup>6</sup>, to which the Institute contributed as one of the interviewed parties. The report highlighted issues and opportunities for companies in Hong Kong in addressing climate change.
- Meanwhile, the Exchange recently [published a review](https://www.hkex.com.hk/News/Regulatory-Announcements/2021/211105news?sc_lang=en)<sup>7</sup> that focuses on initial public offering applicants' practices on corporate governance, diversity and ESG. The Exchange evaluated the prospectuses of new applicants seeking a primary listing in Hong Kong between July 2020 and June 2021, and further tracked the diversity progress of newly-listed issuers by reviewing their corporate governance reports.
- Back in January 2021, the Exchange issued a report on findings and recommendations from its review of [issuers' annual reports](https://www.hkex.com.hk/News/Regulatory-Announcements/2021/210129news?sc_lang=en)<sup>8</sup> for financial years that ended in 2019. Findings covered areas including:
  - ❖ Disclosure of the impact of the Covid-19 pandemic in issuers' business review and MD&A section
  - ❖ Financial statements with auditors' modified opinion
  - ❖ Continuing connected transactions
- Also in January 2021, the Institute published the results of its own [brief study on COVID-19 disclosure by listed companies](https://www.hkicpa.org.hk/-/media/HKICPA-Website/New-HKICPA/News/COVID-19/COVID-19-disclosure-by-listed-companies.pdf)<sup>9</sup>, which reviewed the information provided by March 2020 year-end listed companies regarding the impact on the business of Covid-19.
- In May 2021, the Asian Corporate Governance Association ("ACGA") and CLSA Limited released its 10th biennial [CG Watch 2020 report](https://www.acga-asia.org/cgwatch.php)<sup>10</sup> on CG performance in Asia.

Hong Kong once again ranks 2nd in the survey, equal with Singapore, albeit on a slightly higher score of 63.5% - a 3.5 percentage point increase on 2018. According to the report, Hong Kong is at its most determined when addressing regulatory and enforcement issues, but tends to lose its nerve when it comes to driving fundamental improvements in company governance, especially when it comes to amending the CG Code.

The report also looks at the integration of CG and ESG, which it finds to be generally fragmented in Asia, and makes several recommendations in this regard. This is of course a subject that relevant to our new MSCO awards. ACGA suggest that it is important to align CG codes, ESG reporting guidelines and stewardship codes. In terms of CG codes and ESG reporting, it points to the Malaysian Code on Corporate Governance of 2017 which was revised in April 2021, and which, it says "now places even more emphasis on ESG, which is 'increasingly material to the ability of companies to create durable and sustainable value and maintain confidence of their stakeholders'. If companies are to be resilient, boards need to 'anticipate and address material ESG risks and opportunities'". The AGGA also sees the need to push forward the development of ESG assurance, which it considers not to be sufficiently prevalent in the region to allow comparisons to be made, and often selectively limited in its scope.

<sup>6</sup> [https://www.bec.org.hk/sites/default/files/publications/Corporate\\_Governance\\_for\\_Climate\\_Resilience\\_final.pdf](https://www.bec.org.hk/sites/default/files/publications/Corporate_Governance_for_Climate_Resilience_final.pdf)

<sup>7</sup> [https://www.hkex.com.hk/News/Regulatory-Announcements/2021/211105news?sc\\_lang=en](https://www.hkex.com.hk/News/Regulatory-Announcements/2021/211105news?sc_lang=en)

<sup>8</sup> [https://www.hkex.com.hk/News/Regulatory-Announcements/2021/210129news?sc\\_lang=en](https://www.hkex.com.hk/News/Regulatory-Announcements/2021/210129news?sc_lang=en)

<sup>9</sup> <https://www.hkicpa.org.hk/-/media/HKICPA-Website/New-HKICPA/News/COVID-19/COVID-19-disclosure-by-listed-companies.pdf>

<sup>10</sup> <https://www.acga-asia.org/cgwatch.php>

- Meanwhile the Institute has published Auditing and Assurance Technical Bulletin (“AATB”) 5 [Environmental, Social and Governance \(ESG\) Assurance Reporting](#)<sup>11</sup>, which provides practical non-authoritative support material, to assist members and other practitioners in performing ESG assurance engagements, in accordance with Hong Kong Standard on Assurance Engagements (“HKSAE”) 3000 (Revised) - Assurance Engagements Other than Audits or Reviews of Historical Financial Information.

### Consultations

- The Exchange published a [consultation paper](#)<sup>12</sup> earlier this year, outlining proposed enhancements to the CG Code, as well as related amendments to the Listing Rules.

[The Institute’s reply](#)<sup>13</sup> to the consultation paper supported the general direction of the proposals and most of the specific measures put forward. We also welcomed the improvements in clarity that the changes would bring about, including the introduction of a statement linking the CG Code and the ESG Reporting Guide. Over time, the Institute hoped that issuers would be encouraged to more fully integrate the governance of ESG matters into their overall CG framework. The clear and strong statement about the meaning of “comply or explain” and that, if an issuer deviates from a CG Code provision without giving considered reasons and explanations, this will constitute a breach of the Listing Rules, also provides some welcome clarity.

Further, we appreciated the efforts to make it clear that recommended best practices (“RBPs”) are more than just “take it or leave it” suggestions, but also convey expectations in terms of facilitating issuers’ compliance with the principles.

We supported the proposal to introduce a reference to “culture” in the CG Code, while suggesting that the meaning needed to be pinned down. We noted that the broad definition given in the United Kingdom (“UK”) Financial Reporting Council report, “Corporate Culture and the Role of Board” (July 2016) could provide a good starting point, i.e. corporate culture “can be defined as a combination of the values, attitudes and behaviours manifested by a company in its operations and relations with its stakeholders” (Executive Summary, UK FRC report).

- In August 2021, SFC published the [Consultation Conclusions on the Management and Disclosure of Climate-related Risks by Fund Managers](#)<sup>14</sup>. The consultation proposed requirements for fund managers to take climate-related risks into consideration in their investment and risk management processes and make appropriate disclosures to meet investors’ growing demands for climate risk information, and to combat greenwashing. The proposals will be implemented with some modifications, including to the implementation timetable.

<sup>11</sup> [https://www.hkicpa.org.hk/-/media/HKICPA-Website/New-HKICPA/Standards-and-regulation/SSD/03\\_Our-views/TB\\_-Cir/Auditing/21aatb0506/aatb5\\_2108.pdf](https://www.hkicpa.org.hk/-/media/HKICPA-Website/New-HKICPA/Standards-and-regulation/SSD/03_Our-views/TB_-Cir/Auditing/21aatb0506/aatb5_2108.pdf)

<sup>12</sup> [https://www.hkex.com.hk/News/Regulatory-Announcements/2021/2104162news?sc\\_lang=en](https://www.hkex.com.hk/News/Regulatory-Announcements/2021/2104162news?sc_lang=en)

<sup>13</sup> [https://www.hkicpa.org.hk/-/media/Document/APD/CG/CG\\_HKEX-consltn-Review-of-CG-Code\\_submn\\_210618.pdf?la=en&hash=5C8229647924E3666E81AC4A057DAA82](https://www.hkicpa.org.hk/-/media/Document/APD/CG/CG_HKEX-consltn-Review-of-CG-Code_submn_210618.pdf?la=en&hash=5C8229647924E3666E81AC4A057DAA82)

<sup>14</sup> <https://apps.sfc.hk/edistributionWeb/api/consultation/conclusion?lang=EN&refNo=20CP5>

## International

Overwhelming attention has been given to ESG and, in particular, climate change, this year, which was given even greater momentum by the publication, in August 2021, of a [report on the latest scientific data](#)<sup>15</sup> on climate change by the United Nations (“UN”) Intergovernmental Panel on Climate Change. This was followed by the 26th UN Climate Change Conference of the Parties (“COP26”) held in Glasgow, UK, 31 October – 12 November 2021. One of the announcements made during COP26 was a [United States \(“U.S.”\) - China Joint Glasgow Declaration on Enhancing Climate Action](#)<sup>16</sup>, which reflects the importance of joint efforts in this critical area, despite any other differences between the nations. [The final outcome of COP26](#)<sup>17</sup> achieved some consensus, albeit not as far-reaching as many would have wished. The aspiration of keeping the rise in post-industrialization average global temperature to within a 1.5 degrees was retained, but, as the president of the summit stated: “We can now say with credibility that we have kept 1.5 degrees alive. But, its pulse is weak and it will only survive if we keep our promises and translate commitments into rapid action.”

During 2021, the TCFD published:

- ❖ *Guidance on Metrics, Targets, and Transition Plans*  
The guidance describes recent developments around climate-related metrics and users’ increasing focus on information describing organizations’ plans for transitioning to a low-carbon economy. It also describes a set of cross-industry, climate-related metric categories that the TCFD believes all organizations can disclose.
- ❖ *TCFD Status Report (2021)*  
The report describes progress on climate-related disclosure and TCFD implementation efforts, insights, and challenges.
- In September 2021, the Value Reporting Foundation, which was formed from a merger between the International Integrated Reporting Council and the Sustainability Accounting Standards Board published, [Transition to integrated reporting: A Guide to getting started](#)<sup>18</sup>, to help report preparers develop a custom-fit transition plan to integrated reporting. The guide is a companion to the [<IR> Framework](#)<sup>19</sup>, the principles-based, multi-capital framework used to accelerate integrated reporting across the world. Integrated reporting helps businesses think holistically about their strategy to build investor and key stakeholder confidence and improve future performance.
- Achieving net zero greenhouse gas (“GHG”) emissions in an organization will rely on the knowledge, skills and processes inherent within the finance function. Finance professionals are well placed to develop pathways to achieve net zero, setting interim targets, allocating funds, reporting progress and integrating net zero into decision making processes over time. The Prince’s Accounting for Sustainability Project (“A4S”) has developed [guidance](#)<sup>20</sup> to share the practical steps that finance teams can take to support their organization to progress towards net zero emissions.

<sup>15</sup> <https://www.ipcc.ch/report/ar6/wg1/>

<sup>16</sup> <https://www.state.gov/u-s-china-joint-glasgow-declaration-on-enhancing-climate-action-in-the-2020s/>

<sup>17</sup> <https://unfccc.int/news/cop26-reaches-consensus-on-key-actions-to-address-climate-change>

<sup>18</sup> [https://www.integratedreporting.org/wp-content/uploads/2021/09/Transition-to-integrated-reporting\\_A-Getting-Started-Guide.pdf](https://www.integratedreporting.org/wp-content/uploads/2021/09/Transition-to-integrated-reporting_A-Getting-Started-Guide.pdf)

<sup>19</sup> <https://www.integratedreporting.org/resource/international-ir-framework/>

<sup>20</sup> [https://www.accountingforsustainability.org/net-zero-guidance.html?\\_cldee=cmFjaGVsY2hldW5nQGhraWNwYS5vcmcuaGs%3d&recipientid=contact-044e57c2528eb11b8170050568d1b3e-df72da37182d43f69cf775207a74e6b4&esid=07169f2a-f5dd-eb11-b818-0050568d4f85](https://www.accountingforsustainability.org/net-zero-guidance.html?_cldee=cmFjaGVsY2hldW5nQGhraWNwYS5vcmcuaGs%3d&recipientid=contact-044e57c2528eb11b8170050568d1b3e-df72da37182d43f69cf775207a74e6b4&esid=07169f2a-f5dd-eb11-b818-0050568d4f85)

- Also at COP 26, the International Financial Reporting Standards (“IFRS”) Foundation Trustees announced three significant developments to provide global financial markets with high-quality disclosures on climate and other sustainability issues:
  - ❖ The formation of a new [International Sustainability Standards Board](#)<sup>21</sup> (“ISSB”) to develop, in the public interest, a comprehensive global baseline of high-quality sustainability disclosure standards to meet investors’ information needs.
  - ❖ A commitment by leading investor-focused sustainability disclosure organizations to consolidate into the new board. The IFRS Foundation will complete consolidation of the [Climate Disclosure Standards Board](#)<sup>22</sup> (CDSB - an initiative of CDP) and the [Value Reporting Foundation](#)<sup>23</sup> by June 2022.
  - ❖ The publication of prototype climate and general disclosure requirements developed by the [Technical Readiness Working Group](#)<sup>24</sup>, a group formed by the IFRS Foundation Trustees to undertake preparatory work for the ISSB. The IFRS Foundation noted that these prototypes were the result of six months of joint work by representatives of the CDSB, the International Accounting Standards Board, the TCFD, the Value Reporting Foundation and the World Economic Forum, supported by the International Organization of Securities Commissions. The working group consolidated key aspects of these organizations’ content into an enhanced, unified set of recommendations for consideration by the ISSB.

The Institute welcomes the setting up of the ISSB, as reflected in its past submissions:

- ❖ A [comment letter](#)<sup>25</sup> was submitted on the IFRS Foundation's [Consultation Paper on Sustainability Reporting](#)<sup>26</sup>. The Institute agreed that there was an urgent need for a global set of sustainability reporting standards, and that the IFRS Foundation was well positioned to be involved with setting these standards.
- ❖ Another [comment letter](#)<sup>27</sup> was submitted on the IFRS Foundation’s [Exposure Draft](#)<sup>28</sup> Proposed Targeted Amendments to the IFRS Foundation Constitution to Accommodate an International Sustainability Standards Board to Set IFRS Sustainability Standards. The Institute broadly supported the IFRS Foundation’s proposed governance structure to provide adequate oversight of a new ISSB, and considered that the amendments were proportionate to the Trustees’ strategic direction.

<sup>21</sup> <https://www.ifrs.org/groups/international-sustainability-standards-board/>

<sup>22</sup> <https://www.cdsb.net/>

<sup>23</sup> <https://www.valuereportingfoundation.org/>

<sup>24</sup> <https://www.ifrs.org/groups/technical-readiness-working-group/>

<sup>25</sup> [https://www.hkicpa.org.hk/-/media/HKICPA-Website/New-HKICPA/Standards-and-regulation/SSD/03\\_Our-views/PCD/2020/FR/cp\\_sr/sub\\_cpsr.pdf?\\_cldee=cmFjaGVsY2hldW5nQGhraWNwYS5vcmcuaGs%3d&recipientid=contact-6044e57c2528eb11b8170050568d1b3e-b383b4b0c15c4a88941f7f9b223b58cc&esid=197639b5-1f4f-eb11-b818-0050568d1b3e](https://www.hkicpa.org.hk/-/media/HKICPA-Website/New-HKICPA/Standards-and-regulation/SSD/03_Our-views/PCD/2020/FR/cp_sr/sub_cpsr.pdf?_cldee=cmFjaGVsY2hldW5nQGhraWNwYS5vcmcuaGs%3d&recipientid=contact-6044e57c2528eb11b8170050568d1b3e-b383b4b0c15c4a88941f7f9b223b58cc&esid=197639b5-1f4f-eb11-b818-0050568d1b3e)

<sup>26</sup> [https://www.hkicpa.org.hk/-/media/HKICPA-Website/New-HKICPA/Standards-and-regulation/SSD/02\\_Open-for-comment/financailreporting/2020/sr/cp\\_sr.pdf?\\_cldee=cmFjaGVsY2hldW5nQGhraWNwYS5vcmcuaGs%3d&recipientid=contact-6044e57c2528eb11b8170050568d1b3e-b383b4b0c15c4a88941f7f9b223b58cc&esid=197639b5-1f4f-eb11-b818-0050568d1b3e](https://www.hkicpa.org.hk/-/media/HKICPA-Website/New-HKICPA/Standards-and-regulation/SSD/02_Open-for-comment/financailreporting/2020/sr/cp_sr.pdf?_cldee=cmFjaGVsY2hldW5nQGhraWNwYS5vcmcuaGs%3d&recipientid=contact-6044e57c2528eb11b8170050568d1b3e-b383b4b0c15c4a88941f7f9b223b58cc&esid=197639b5-1f4f-eb11-b818-0050568d1b3e)

<sup>27</sup> [https://www.hkicpa.org.hk/-/media/HKICPA-Website/New-HKICPA/Standards-and-regulation/SSD/03\\_Our-views/PCD/2021/FRSC/sub2170/sub\\_sub2107.pdf?\\_cldee=dmlja3l5dUBoa2ljcGUb3JnLmhr&recipientid=contact-5edfd2b54537ea11b8100050568d1b3e-53e1805516e043a3b29c05664b7becb3&esid=8d983ede-62f3-eb11-b818-0050568d4f85](https://www.hkicpa.org.hk/-/media/HKICPA-Website/New-HKICPA/Standards-and-regulation/SSD/03_Our-views/PCD/2021/FRSC/sub2170/sub_sub2107.pdf?_cldee=dmlja3l5dUBoa2ljcGUb3JnLmhr&recipientid=contact-5edfd2b54537ea11b8100050568d1b3e-53e1805516e043a3b29c05664b7becb3&esid=8d983ede-62f3-eb11-b818-0050568d4f85)

<sup>28</sup> [https://www.ifrs.org/content/dam/ifrs/project/sustainability-reporting/ed-2021-5-proposed-constitution-amendments-to-accommodate-sustainability-board.pdf?\\_cldee=dmlja3l5dUBoa2ljcGUb3JnLmhr&recipientid=contact-5edfd2b54537ea11b8100050568d1b3e-53e1805516e043a3b29c05664b7becb3&esid=8d983ede-62f3-eb11-b818-0050568d4f85](https://www.ifrs.org/content/dam/ifrs/project/sustainability-reporting/ed-2021-5-proposed-constitution-amendments-to-accommodate-sustainability-board.pdf?_cldee=dmlja3l5dUBoa2ljcGUb3JnLmhr&recipientid=contact-5edfd2b54537ea11b8100050568d1b3e-53e1805516e043a3b29c05664b7becb3&esid=8d983ede-62f3-eb11-b818-0050568d4f85)

# Commentaries

## General Observations in 2021

1. A focus this year is on the newly-launched MSCO awards. Earlier in the year, the Awards Organizing Committee held in-depth discussions on refreshing the Awards, the processes and the objective. Briefings were given at different times to the review and judging panels, and feedback was invited.
2. The judges hoped to be able to identify and give recognition to the companies that perform to a very high standard in both CG and ESG, and which are taking steps to integrate these two elements within their strategy and operations. Clearly, there are other critical factors for long-term success, such as having a good business model, providing effective services, in the case of a public sector organization, and being able to adapt and innovate where necessary; but, at the same time, it is difficult to see how a company that does not give priority to its CG and ESG performance will be able to satisfy investors and stakeholders in the long run, and demonstrate the resilience required for lasting success.
3. While there were positive signs and the judges were able to give out a number of MSCO awards, they decided not to give out any Diamond Awards. While they noted that regular awardees have been enhancing their CG and ESG practices, and have begun to deal with issues raised by stakeholders, including investors, such as assessing the possible impact of, and developing strategies and action plans to deal with, climate change, the general consensus among the judges was that more could still be done, in terms of, e.g., accelerating the board refreshment process, enhancing independent leadership in the board room, establishing quantitative key performance indicators (“KPIs”) under different ESG initiatives, and improving disclosure of these KPIs embedded in remuneration. At this stage, we expected that the highest levels of the MSCO awards would remain aspirational, to some extent, as the path to fully integrating CG and ESG is not straightforward, either from a technical or business point of view. However, the main objectives are to identify companies that appear to demonstrate an unwavering commitment to going down that path and to draw the attention of other companies to what will be expected of them in the future. Those objectives, the judges consider, are on the way to being achieved, even at this early phase of the new awards.
4. With changes made to the Awards, it was important to maintain the same rigorous assessment processes. There are detailed assessment criteria for each type of award and these were reviewed and revised accordingly. The core sources of information remained companies annual/ ESG reports, or website information in the case of the commendations for web-based governance information. However, because the aim is, ultimately, to understand the underlying corporate culture and whether a company’s words and actions are fully aligned with each other, the reviewers and judges also considered other publicly-available information about individual companies, such as media reports from reliable sources and public perceptions that may have a bearing on those companies’ CG or ESG practices, and how these are being addressed.

The judges appreciate, for example, that in very large multi-jurisdictional businesses, it would not be unusual to find occasional adverse incidents occurring in parts of the organization. In relation to such incidents, therefore, the following are some of the questions that may be considered:

- What is the significance of the incident/ event relative to the size of the company’s overall operations? Where, for example, a regulatory a penalty has been imposed, the size of the penalty may give some indication.

- Is the incident/ event indicative of more serious underlying problems, e.g., weaknesses in internal controls or corporate culture? This may be especially relevant where there have been repeated incidents, even though each incident may not be very major.
  - Where the incident/ event may be more significant, how has the company addressed any concerns that have come to light?
  - How did the incident/ event come to light, e.g. the company's own internal investigation and disclosure, a whistleblower, a regulatory finding, etc.?
  - Public perception of incident/ event and the impact on the company's reputation.
5. It was somewhat disappointing, although not altogether unexpected, that the reviewers and judges were not able to identify any MSCO awardees in categories for non-HSI (small market capitalization) companies and public sector/ not-for-profit (mid-to-small) organizations.
  6. While we received more applications this year for the Self-nomination Awards, which are aimed at small-cap companies and public sector entities, the reviewers and judges were not able to identify any suitable candidates. This was also a disappointing result.

Applicants need to illustrate clearly how their CG/ ESG practices exceed the minimum requirements. It is not sufficient to simply extract part of the contents of their annual/ ESG report to their application forms without spelling out what they are doing to develop their CG/ ESG framework, what new measures they have introduced and where their practices go beyond complying with the relevant regulatory requirements. Where applicants refer the reader to other materials, these may be high-level strategy documents, etc., but again the reviewers and judges would also want to understand how these have been implemented, whether there are related KPIs, and how the company has performed against them. It should be emphasized that these comments are intended as constructive observations and advice on areas of improvement. Meanwhile, the reviewers and judges appreciate the efforts made by applicants, commend them for their initiative in entering the Awards, which is good sign in and of itself, and encourage eligible companies and public sector entities to apply again in future.

7. In view of the escalating demand for good quality ESG information, assurance on ESG reports has become increasingly important in helping to build stakeholders' trust in the quality of the information disclosed. The Exchange's upgraded ESG Reporting Guide also notes that companies may seek independent assurance to strengthen the credibility of ESG information.

As reported in July of this year, the Institute conducted a brief research on the ESG assurance status of all 55 HSI-constituent companies that published an ESG report or incorporated a sustainability/ ESG section in their annual report for 2020/21, as at 28 June. Although 49 of them had published ESG information by the cut-off date, only 23 out of 49 companies, i.e. around 47%, obtained external assurance on the information disclosed.

We subsequently broadened the scope of our research to cover all the December year-ended listed companies for 2020/21. We found that ESG assurance is still not common among these companies, and only a small percentage of them obtained external assurance. Click [here](#)<sup>29</sup> for further insights. The ACGA CG Watch 2020 (see page 10 above) quotes from the Singapore Exchange's sustainability reporting guide, which recommends phasing in ESG assurance:

"Independent assurance increases stakeholder confidence in the accuracy and completeness of the sustainability information disclosed. An issuer whose sustainability reporting has already matured after several annual exercises would want to undertake external assurance by independent professional bodies to add credibility to the information disclosed and analysis undertaken. An issuer new to sustainability reporting may wish to start with internal assurance before progressing to external assurance for its benefits. The issuer should also consider whether it would be worthwhile to undertake independent external assurance on selected important aspects of its report even in its initial years, expanding coverage in succeeding years."

This a view with which the Institute concurs.

8. As noted above, we continue to update the Awards' assessment criteria, to cover matters including:
  - ❖ To what extent a company/ organization has aligned its CG and ESG frameworks and practices, and integrated them into its strategies and operations, e.g.,
    - Are both CG and ESG seen as key issues on the board agenda?
    - Do the board's business strategy, investment plans, etc. take ESG issues into consideration?
    - Do risk management and internal control cover important ESG risks and opportunities, alongside other principal risks and opportunities?
  - ❖ Whether companies have policies and measures in place to assess and deal with climate change risks and related issues.
  - ❖ A compliance check is also incorporated in the ESG checklist to confirm the candidates' compliance with the mandatory elements of the ESG Reporting Guide.

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<sup>29</sup> [https://www.hkicpa.org.hk/-/media/Document/APD/BCGESGA/2021\\_ESG\\_Assurance\\_Research.pdf](https://www.hkicpa.org.hk/-/media/Document/APD/BCGESGA/2021_ESG_Assurance_Research.pdf)

## Observations of Judges and Reviewers on Specific Areas of Strength and Weakness

1. All the MSCO awardees are past award winners. This may not be a surprise as, generally, these companies are among the most committed in Hong Kong to applying high standards of CG and ESG and to lifting their performance above the rising bar set by the Listing Rules and legislative requirements. As regards ESG, they not only demonstrate their strengths, as indicated in 2 below, but also incorporate a reasonable level of coverage of the challenges/ difficulties that they face, and set KPIs to track their own commitments. For CG, they are the early adopters of any changes in requirements, as they see the benefits of a good CG regime to the long-term success and sustainability of the company.
2. Perhaps due to stakeholders' increasing expectations regarding high-quality ESG practices and disclosures, and also to the efforts of the Exchange to enhance the ESG Reporting Guide, this year there was a record number of contestants making it through to both the review and the final judging stages under the separate awards for ESG. Many companies share some of the following strength and weakness:

Strength	Weakness
1. It is relatively easy for the reader to identify the connections between the companies' ESG vision, strategy and action plans. This is normally discussed in brief at the beginning of the relevant report, often in the form of a table or diagram, setting the scene for further detailed discussions in the later sections of the report.	1. Most companies' reports tend to be positive. While some unfavourable statistics may be disclosed, the explanations for the changes may not be sufficiently clear.
2. Board-level ESG committees, consisting of a majority of INEDs have often been established to drive ESG policies from the top. Underneath these committees, there are ESG management committees/ working groups, etc. to execute the overall direction set by the ESG board committees.	2. The majority of companies do not seem to share their quantitative performance indicators and targets to help track progress towards economic, environmental and social goals over the relevant period. They may not indicate what specific actions they have taken to meet targets, or to get back on track where they have fallen short in a particular year, or put forward new goals, where the original targets have already been met.
3. More companies are incorporating ESG-related risks, including climate change risks, into their risk management and internal control framework, including an analysis of their overall trend, impact and the mitigating measures.	
4. There is a reasonable analysis of stakeholders' concerns and how these concerns have been/ are being addressed.	

5. For some companies, ESG assurance, either reasonable or limited, is obtained to enhance the credibility of their reports.	
6. There is a well-established trend of adopting international standards, including those of the Global Reporting Initiative (“GRI”) and the recommendations of the TCFD, and the UN Sustainable Development Goals (“UNSDGs”), in addition to simply fulfilling the requirements of the ESG Reporting Guide.	

These strengths by and large demonstrate that more companies put in place ESG measures and disclosures additional to the local requirements. This may suggest a greater awareness that simply seeking to maximize profits for shareholders, without regard to how companies make their profits and the impact of their business on the communities in which they operate, and on the sustainability of the planet, is no longer acceptable. This is increasingly relevant for institutional investors, who, nowadays, often place significant weight on potential investees’ sustainability practices when making their investment decisions.

3. However, the judges did not find the same degree of progress in companies competing for the separate CG Awards. The number of candidates put forward to the judges seems to have plateaued. While ESG reporting has generally started from a lower base, which makes it easier for companies to achieve substantive improvements, in terms of overall standards of CG in Hong Kong, there are several areas where improvements could still be made:

- ❖ Independent directors are often appointed by and accountable to controlling shareholders, families, and the nomination committees that they are intended to monitor. Typically, these directors also do not engage with shareholders as often as they would in some other jurisdictions, so it can be challenging for investors to share their interests with the board, especially when those interests may differ from those of executive directors (“EDs”) and non-executive directors (“NEDs”). Such companies should consider appointing a lead independent non-executive director (“INED”) or accessible independent chairman within their governance structures.
- ❖ The percentage of female board members among listed companies in Hong Kong is still lagging behind other major financial centres. [The Hong Kong Institute of Chartered Secretaries’ recent research](https://businesschief.asia/human-capital/hong-kong-calls-30-target-increase-women-boards)<sup>30</sup> makes the observation that only one in seven directors of Hong Kong’s Hang Seng Index companies are female. There is a feeling that many companies are still only paying lip service to the idea of diversity. Greater diversity on boards can encourage better leadership and CG by challenging groupthink, helping to increase corporate performance and competitiveness and, ultimately, strengthening resilience.

<sup>30</sup> <https://businesschief.asia/human-capital/hong-kong-calls-30-target-increase-women-boards>

- ❖ We note that there is strong presence of “government-appointed directors” on certain boards, whose appointments to the board are exempt from a shareholders’ vote or a transparent nomination process. This inevitably creates a lack of accountability to shareholders and stakeholders. The transparency of the nomination and selection process for these directors needs to be further enhanced.
- ❖ In terms of companies’ general mandate to issue shares, and the underlying issuing price, the lower the percentage of new shares that may be issued and the smaller the discount to the market price, prima facie, the fairer this is to minority shareholders. However in many cases, it is difficult to identify information about the general mandate in either companies’ annual reports or their public announcements.
- ❖ The disclosure of key risks and mitigation measures has improved greatly over the years. However, while it is a mandatory requirement that companies should review their risk management and internal control system annually, there is a lack of detailed disclosures on how reviews have been conducted, the nature of issues uncovered, if any, and measures that have been or will be taken to address these. Though some such disclosures may be sensitive if they are too specific, nevertheless, there is a balance to be struck to enhance transparency.
- ❖ Disclosures about board evaluation tend to be rather boilerplate. More information on the scope of evaluations, questions asked, general findings and recommendations, for example, would be helpful.
- ❖ Only a few companies discussed cross-directorships in their annual reports. Cross-directorships may give rise to conflicts of interest and undermine the independence of INEDs. While the disclosure of information on cross-directorship is only a recommended best practice (“RBP”) in the CG Code, investors and other stakeholders should be given more information in order to be able to make their own judgment as to whether the independence of the board is being affected.
- ❖ Disclosures regarding appointments and resignations of directors continue to be lacking. For the former, in most cases, the procedures are not discussed in the annual report. In some cases, the reader is asked to refer to the relevant policies published on the company’s website, but the disclosures there may be quite generic. As for resignations, little information is provided in annual reports or through other public channels.
- ❖ Individual remuneration packages of directors and senior management are often not explained in any great detail. 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.
- ❖ Not many candidates discuss the issue of succession planning, which is important for a company’s longer-term success. Planning for a smooth and progressive transition of the leadership, and providing information about these arrangements, helps to instil confidence, ensure stability, and allay possible concerns about disruption.

# Hang Seng Index Category

## MOST SUSTAINABLE COMPANIES PLATINUM AWARD

### CLP Holdings Limited

#### Board of Directors:

##### EXECUTIVE

Richard Kendall Lancaster (Chief Executive Officer)

Geert Herman August Peeters

##### NON-EXECUTIVE

The Hon Sir Michael Kadoorie, *GBS* (Chairman)

William Elkin Mocatta (Vice Chairman)

John Andrew Harry Leigh

Andrew Clifford Winawer Brandler

Philip Lawrence Kadoorie

##### INDEPENDENT NON-EXECUTIVE

Sir Roderick Ian Eddington

Nicholas Charles Allen

Law Fan Chiu Fun Fanny, *GBM, GBS, JP*

Zia Mody

May Siew Boi Tan

Christina Gaw

Chunyuan Gu



## Findings

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1. CLP Holdings Limited (“CLP”) demonstrates many best practices from both the CG and ESG perspectives, providing substantive information in a clear format.
2. In view of increasing importance of ESG issues, CLP has integrated the governance of these issues under its overall CG structure. This covers not only the board level, but also at the lower layers of the organizational structure, including at the different levels of “management oversight”, “coordinators”, and “implementation of sustainability-related strategies, policies and goals”. There is also independent oversight via external assurance and group internal audit. This helps ensure consistency in the implementation of their ESG initiatives/ policies within the group.

Climate change risks, which are a key issue for power companies, are embedded in CLP’s risk management process and risk register. CLP identifies, assesses, and manages climate change risks alongside other risks, as an integral part of its group-wide risk management framework.
3. The board has clear oversight of climate-related risks and the company is proactively communicating with the public on its climate strategy. A section, “Responding to climate change” is incorporated in the company’s Sustainability Report, setting out its initiatives and achievements, e.g. its carbon intensity has reduced to 0.57kgCO<sub>2</sub>/kWh, surpassing the 2020 decarbonisation target of 0.6kgCO<sub>2</sub>/kWh. CLP’s efforts to apply scenario analysis, based on the TCFD guidance, and to consider the resilience of its Climate Vision 2050 against three climate-related scenarios, is a very positive step, showing that the company is at the vanguard in this area with a good analysis of physical risks.

To take itself to the next level, CLP has lifted its climate commitment this year, pledging to net-zero GHG emissions across its value chain by 2050, phasing out coal-based assets by 2040, and meeting science- based GHG emission intensity targets by 2030.
4. CLP consistently sets high CG standards, adopting its own unique CG code built on CLP’s own standards and experience, which goes beyond CG Code issued by the Exchange, as illustrated in a table in the Annual Report.
5. The board of CLP has reached 50% overall independence, which is exceptional in the local market. It is close to reaching 30% of women on the board, with the appointment of a female board member, attesting to the company’s commitment to improving board diversity.
6. The group’s crisis management preparation enabled CLP to maintain a high standard of operational performance for customers across the group in 2020 during the Covid-19 pandemic. It is noted that CLP was able to draw on the experience and planning developed during the 2003 SARs crisis, which has been refined and enhanced regularly over the years as part of its governance process.
7. CLP has continued to improve its governance practices, as is evident from the company’s commitment to implementing the recommendations from its 2019 external board review, including refreshment of the board and the identification and subsequent appointment of two new INEDs with strong experience in Mainland China and the Greater Bay Area. Having regard to the new directors’ expertise, background and experience, it is considered by CLP that these appointments will enhance the board’s diversity.
8. To ensure that the board continues to possess an appropriate balance of skills for the requirements of the company’s business, an analysis of the skill set mix was considered by the Nomination Committee. A table is included in the Annual Report to highlight the breakdown of the skill set mix of the company’s directors, and demonstrate the broad and diverse mix of experience and background relevant to CLP that the directors bring to the board and its committees.

# Hang Seng Index Category

## MOST SUSTAINABLE COMPANIES GOLD AWARD

### Hong Kong Exchanges and Clearing Limited

#### Board of Directors:

##### EXECUTIVE

Tai Chi Kin Calvin (Interim Chief Executive)

##### INDEPENDENT NON-EXECUTIVE

Laura May-Lung Cha, *GBM, GBS, JP* (Chairman)

Apurv Bagri

Chan Tze Ching Ignatius, *BBS, JP*

Cheah Cheng Hye

Chow Woo Mo Fong Susan

Fung Yuen Mei Anita, *BBS, JP*

Rafael Gil-Tienda

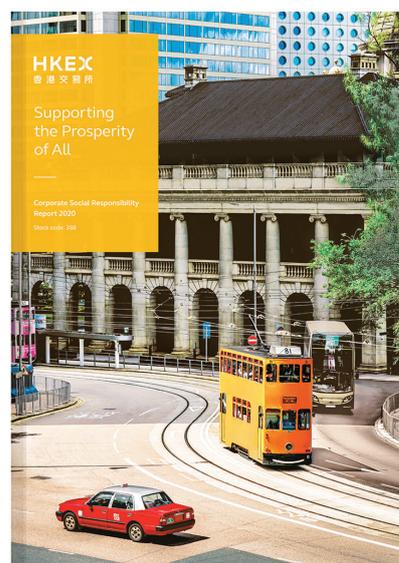
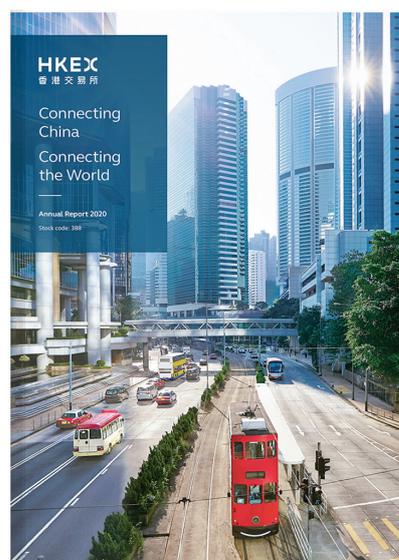
Hu Zulu Fred

Hung Pi Cheng Benjamin, *BBS, JP*

Leung Pak Hon Hugo

John Mackay McCulloch Williamson

Yiu Kin Wah Stephen



## Findings

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1. Hong Kong Exchanges and Clearing Limited (“HKEX”) stands out among the shortlisted candidates by bringing out its unique contribution and how HKEX fits into the development of sustainable finance, by facilitating essential markets such as metals and the development of the green ecosystem, through knowledge sharing, amongst its other roles.
2. The Annual and the Corporate Social Responsibility (“CSR”) Reports of HKEX are well structured and easy to read. Information is presented in a logical manner, with appropriate summaries provided (e.g. the table of progress on the three pillars of HKEX’s vision to be “the Global Markets Leader in the Asian Time Zone – Connecting China, Connecting the World”), and through the use of charts and statistics to facilitate data analysis (e.g. the 10-Year Financial Statistics in the company’s Annual Report, and the performance summary in the CSR Report).
3. HKEX’s CSR Committee is led by the company’s chairman, reflecting HKEX’s commitment to CSR-related activities, including climate-related issues, at its board and senior management levels.
4. HKEX has formulated a CSR Strategy that reflects its approach to ESG-related risks that have, potentially, a material impact on the company’s business or reputation. The board is tasked with the overall responsibility for evaluating and determining the nature and extent of ESG-related risks that it is willing to take in achieving the company’s strategic objectives.
5. It is positive to note that the chairman recognizes that the company’s responsibilities go beyond its status as a stock exchange group, and that its commitment to being a responsible corporate leader and its role in the community are regarded as integral parts of its business, strategy and future.
6. During 2020, the “Go Green with HKEX” campaign was launched to raise environmental awareness across its workplace and the broader community, and the HKEX Foundation was established to deepen HKEX’s connectivity and long-standing commitment with local communities. In addition, as the Message from Our Chairman section in the CSR Report points out, as a regulator, and against the backdrop of a challenging year with the global pandemic, HKEX became one of the few exchanges in the world to elevate ESG considerations to a mandatory board consideration, reflecting HKEX’s belief that sustainability is an integral part of long-term business success.
7. HKEX recognizes the importance of regular evaluation of the board’s performance as a way to achieving good corporate governance and board effectiveness. Following the evaluation of the board’s performance by an independent external consultant in 2019, actions were taken during 2020 to further enhance the quality and efficiency of the board’s discussions, its risk oversight and engagement with stakeholders. The assessment in 2020 was in a form of internal evaluation led by the chair.
8. The company is aware of the need to keep directors abreast of current trends and issues facing the HKEX group, and to update and refresh the directors’ skills and knowledge necessary for the performance of their duties.
9. Proper record management requirements are in place, which shows the emphasis placed by HKEX on providing directors with comprehensive ongoing training. For instance, directors are required to provide their training records to HKEX and to confirm their respective training records on a semi-annual basis. They are also invited to attend knowledge sessions, strategy meetings, and meetings of the International Advisory Council, which was established to provide the board with insight and worldwide expertise, on business, economics, technology and finance. Directors’ training records are maintained by the Group Company Secretary for annual review by the Nomination and Governance Committee.
10. As to gender diversity, female representation on the board increased from 23% to 31% this year, reaching a commonly advocated threshold of 30% and attesting to the company’s commitment to promoting board diversity.

## Hang Seng Index Category

### MOST SUSTAINABLE COMPANIES SPECIAL MENTION

#### Link Real Estate Investment Trust

##### Board of Directors:

##### *EXECUTIVE*

George Kwok Lung Hongchoy (Chief Executive Officer)

Ng Kok Siong

##### *NON-EXECUTIVE*

Ian Keith Griffiths

##### *INDEPENDENT NON-EXECUTIVE*

Nicholas Charles Allen (Chairman)

Christopher John Brooke

Ed Chan Yiu Cheong

Lincoln Leong Kwok Kuen

Blair Chilton Pickerell

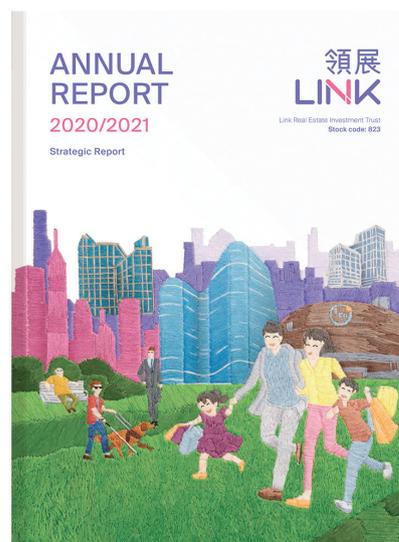
Poh Lee Tan

May Siew Boi Tan

Peter Tse Pak Wing

Nancy Tse Sau Ling

Elaine Carole Young



## Findings

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1. Link Real Estate Investment Trust (“Link”) has established a Sustainability Committee, comprising representatives from all major departments, to oversee the corporate sustainability strategy and progress. The Annual (Strategic) Report contains a brief overview of the committee’s functions. The Link has also set up a Sustainability Advisory Committee, chaired by its chairman and comprising sustainability experts from academia and across industries, which convenes bi-annually and provides an additional channel for constructive feedback on sustainability matters from the external community.
2. ESG factors have been taken into account in board evaluation, and risk management and internal control. The Link indicates that it has advocated TCFD reporting and alignment at various global and industry groups.
3. Link has conducted asset-level physical and transitional Climate Value-at-Risk modelling under 1.5°C, 2°C and 3°C pathways. The implied financial costs provide additional information and insight to help Link prioritize mitigation and adaptation strategies for their assets. For instance, it has reinforced flood barriers, improved drainage systems, and assessed wet and dry flood proofing options, including relocating or elevating critical systems to alleviate potential property damage associated with flood risks at vulnerable locations.
4. Recognizing the importance of board diversity as a contributor to board effectiveness and long-term success, Link has a balanced and diverse board which can provide a broad range of views for discussions and critical decision-making.
5. 10 out of 13 directors on the board are INEDs, with around 31% being female. The strong independence of the board helps to bring constructive challenge and critical judgment on management proposals, scrutinize strategy and business performance against targets, and monitor risks and compliance. As an additional independence requirement, beyond the Listing Rule requirements, the chairman of the board is required to be an INED. As INEDs serve a maximum of nine years, the board is continuously refreshed, bringing new skills and perspectives to Link.
6. With a view to supporting the culture of the board and providing for a smooth transition in respect of the continual refreshment of the board, Link’s Nomination Committee maintains an ongoing process for succession planning. During the period under review, Link refreshed their three-year board succession plan, taking into account, among others, the skills and talent required of the board, the anticipated retirement of directors, and Link’s future development. Independent external consultants are utilized to support the nomination process. Board appointments are made on merit, taking into account the business objectives of Link and with regard to all aspects of board diversity, including background, ethnicity, age and gender.
7. Link is highly cognizant of the importance of risk management. The Risk Management 360 framework has been devised to identify key risks and to provide assurance that they are fully understood and managed within the management’s risk appetite. The principal risks facing Link and the key mitigation measures are set out in the Annual Report.
8. In order to handle urgent material financial issues, particularly those resulting from the Covid-19 pandemic, a Board Crisis Management Committee, comprising the chairman, three INEDs with financial expertise or expertise in handling financial crisis management, and members of the top management, was formed. The committee serves as an informal advisory group to address emergent challenges facing Link and to support the company’s rapid response to the evolving situation relating to the pandemic.

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

## MOST SUSTAINABLE COMPANIES PLATINUM AWARD

### Prudential plc

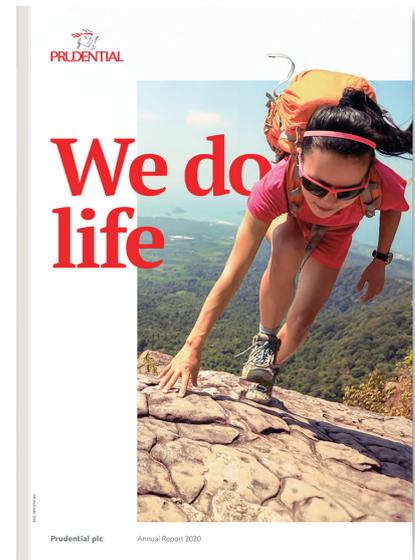
#### Board of Directors:

##### EXECUTIVE

Michael Wells (Group Chief Executive)  
Mark FitzPatrick  
James Turner

##### NON-EXECUTIVE

Shriti Vadera (Chair)  
The Hon Philip Remnant, *CBE*  
Jeremy Anderson, *CBE*  
David Law  
Kaikhushru Nargolwala  
Anthony Nightingale, *CMG, SBS, JP*  
Alice Schroeder  
Thomas Watjen  
Fields Wicker-Miurin, *OBE*  
Amy Yip



## Findings

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1. ESG is overseen by the board of Prudential plc, which is responsible for determining strategy and prioritization of key focus areas. A group ESG Committee has been established to oversee the group's progress towards fulfilling the commitment to report against the TCFD recommendations. This committee reports to the board through the Nomination & Governance Committee.
2. Following the board's approval in December 2020 of a new ESG Strategic Framework, the board recognizes that the next 18 months will be critical for embedding the framework within the group, as well as for the progress of related matters such as the development and incorporation of the group's purpose and values, progressing diversity & inclusion ("D&I") priorities, and building upon employee engagement activities in 2020.

To ensure an appropriate level of board engagement in, and oversight of, these matters, the board has established a Responsibility & Sustainability Working Group, to be chaired by a NED. As part of its remit, the working group will consider and recommend to the board appropriate long-term governance arrangements for these matters. It will also take on employee engagement activities after the 2021 AGM.
3. In view of the importance of setting targets in alignment with the Paris Agreement, Prudential has been assessing similar suitable carbon emission targets to decarbonize its investment portfolio. To demonstrate its commitment, Prudential set new and challenging targets for its Scope 1 and Scope 2 GHG emissions, aiming to become net carbon neutral across these two scopes by the end of 2030. TCFD-aligned disclosures are provided in company's Annual Report in relation to governance, strategy, risk management, metrics and targets.
4. The D&I Policy reflects Prudential's aspiration, and aims to promote employee diversity and provide equal opportunities to all who apply for and those who perform work, at every level of the organization. In September 2020, a D&I Council was established, co-chaired by the group chief financial officer, chief operating officer and group HR director. The new role of group D&I director was also created to be responsible for leading the company's progress in building a workforce that reflects its communities and in creating a sense of belonging that respects and values differences. The council has established a global D&I Charter with the goal to empower employees and create a sense of belonging by respecting and appreciating differences.
5. Prudential illustrates how the board spent its time by key areas of focus on a monthly basis. In addition, after an evaluation of board effectiveness, the report discloses (1) the actions taken during 2020 arising from the 2019 review, the corresponding progress on them, and (2) the action plan for 2021 after a 2020 review by an independent consultancy.
6. The board effectiveness disclosures indicate the main themes (i.e. board composition and process; risk, capital and audit; stakeholders; and people). They provide a summary of actions and progress on them, with the board identifying areas of particular focus and recommended measures.
7. The disclosure of the effectiveness and performance review of the company's risk management and internal control system seems to be broader than many other listed companies in Hong Kong. It is noted that a number of areas for improvement were identified.
8. The transparency of various committee reports is high, particularly how the committees spent their time by month, what key matters were considered, and also on remuneration-related disclosures. These reports disclose the title of other attendees who joined the committee meetings during the year, apart from committee members. In addition, key matters considered, and how these matters were addressed during the year, are also disclosed.

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

## MOST SUSTAINABLE COMPANIES GOLD AWARD

### Standard Chartered PLC

#### Board of Directors:

##### EXECUTIVE

Bill Winters, *CBE* (Group Chief Executive)

Andy Halford

##### INDEPENDENT NON-EXECUTIVE

José Viñals (Chairman)

Naguib Kheraj (Deputy Chairman)

Christine Hodgson, *CBE*

Gay Huey Evans, *OBE*

Phil Rivett

Jasmine Whitbread

David Conner

Byron Grote

Ngozi Okonjo-Iweala

Maria Ramos

David Tang

Carlson Tong



## Findings

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1. The three pillars of Standard Chartered PLC (“SCB”) sustainability strategy, i.e. sustainable finance, responsible company and inclusive communities, as set out in the company’s Sustainability Summary, are well designed to address the UNSDGs and stakeholder’s expectations on sustainability. The progress on targets set for short-, mid- and long-term, indicated as being “achieved”, “on-track” or “not on track”, is clearly documented with traceable progress and initiatives.
2. The ESG targets mentioned above, in the majority of cases, are quantitative, and systematic. For example, in terms of climate change, the bank commits to progressively providing financial services only to clients whose incomes are less dependent on earnings from thermal coal, from 100% by January 2021 down to only 5% by January 2030. Other than this, the bank promises to reduce annual GHG emissions (Scopes 1 and 2) to net zero by 2030, with an interim target of 60,000 tCO<sub>2</sub>e of GHG emissions by December 2025.
3. It is notable that SCB publishes a separate report to facilitate the discussion of TCFD recommendations under the aspects of governance, strategy, risk and metrics. Various governance committees and steering groups are designated with responsibilities to deal with climate-related issues. For instance, the Board Risk Committee provides oversight and challenge of the design and execution of stress and scenario testing, including for climate risk.
4. The report includes a snapshot of SCB’s commitment and action on climate change since 2007. It is noted that SCB structures its climate change strategy around the following areas:
  - Accelerating sustainable finance by supporting the net zero transition (e.g. renewable energy) and building resilience to physical climate risks (e.g. adaptation infrastructure), providing finance in the locations covered by the bank’s footprint.
  - Reducing the direct and financed emissions in alignment with the Paris Agreement goal to limit global warming to below 2°C.
  - Managing the financial risk from climate change by developing the ability to systematically identify and assess climate risk and building this into the bank’s mainstream risk management practices and governance.
5. There is a detailed discussion of stakeholders, covering how the bank engages them, including employees, to understand their interests, and responds to stakeholder interests through sustainable and responsible business. The board spends significant time considering and interacting with its key stakeholders to better understand their views and perspectives.
6. The movement of in and out of board members is disclosed in a table so that the reader can grasp the latest board composition in one go. Brief explanations of the experience of new board members are provided.
7. During the year under review, the board had two major changes in its diversity policy, including:
  - The adoption of an ethnicity aspiration of a minimum 30% from an ethnic minority background, demonstrating the board’s commitment to reflecting the business and network it operates.
  - Ensuring that the composition of the board considers the group’s aspirations in relation to other strands of diversity, including disability, sexual orientation, gender identity and gender expression.
8. There is an informative section on “Remuneration alignment” including discussion of the questions, “How does our executive remuneration align to our strategy?”, “How does our executive remuneration align with shareholder interests?”, “How does our executive remuneration align with the wider workforce?” These are important questions that are not commonly addressed in the reporting of other listed companies in Hong Kong.

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

## MOST SUSTAINABLE COMPANIES PLATINUM AWARD

### The Hongkong and Shanghai Hotels, Limited

#### Board of Directors:

#### EXECUTIVE

Clement King Man Kwok (Chief Executive Officer)

Peter Camille Borer

Christopher Shih Ming Ip

#### NON-EXECUTIVE

The Hon Sir Michael Kadoorie, *GBS* (Chairman)

Andrew Clifford Winawer Brandler (Deputy Chairman)

William Elkin Mocatta

John Andrew Harry Leigh

Nicholas Timothy James Colfer

James Lindsay Lewis

Philip Lawrence Kadoorie

#### INDEPENDENT NON-EXECUTIVE

The Hon Sir David Kwok Po Li, *GBM, GBS, OBE, JP*

Patrick Blackwell Paul, *CBE*

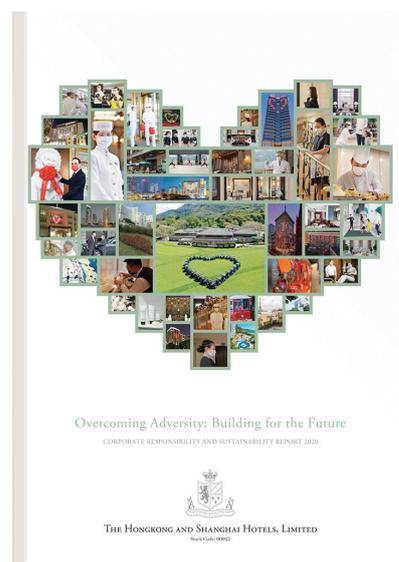
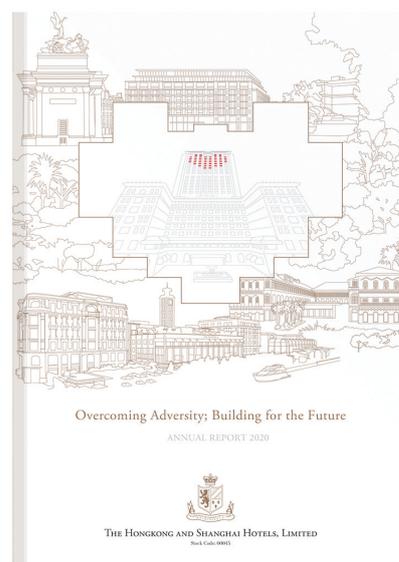
Pierre Roger Boppe

William Kwok Lun Fung, *SBS, OBE, JP*

Rosanna Yick Ming Wong, *DBE, JP*

Kim Lesley Winsler, *OBE*

Ada Koon Hang Tse



## Findings

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1. The Hongkong and Shanghai Hotels, Limited (“HKSH”) has well-balanced disclosures, with equal emphasis on CG, in terms of corporate integrity, accountability and transparency, and ESG, in terms of corporate responsibility, commitment and sustainability. The overall quality of disclosures in CG and ESG are relatively strong compared with many other shortlisted entries.
2. HKSH's CG report in the Annual Report clearly illustrates the company's commitment to corporate responsibility and sustainability. This is also evident in the CEO's and chairman's messages. Among other matters, during the year, the board monitored progress on the company's Sustainable Luxury Vision 2020 strategy, and reviewed and approved the updated Vision 2030 strategy.
3. It is undeniable that 2020 was a challenging year for HKSH, due to the pandemic, yet it managed to achieve 91% of the goals set for the Sustainable Luxury Vision 2020 and has also mapped out the new targets in its updated 2030 vision. This demonstrates a strong commitment from the board and management in driving ESG initiatives.

A group Corporate Responsibility Committee has been set up to manage all aspects of the implementation of HKSH's sustainability approach. The company's sustainability commitments, vision, strategies and targets are well explained. In addition, the Corporate Responsibility and Sustainability Report is supported by independent assurance.

4. The governance structure and risk governance, with the “Three Lines Model” and the five-step risk management methodology, are well explained, from establishing context and risk identification to mitigation actions. For each principal risk (including Covid-19 pandemic, investment and project development risks, cybersecurity and data privacy risks and environmental and social risks), the impact on the company, and actions taken to manage the impact, are described in detail.
5. The board comprises 17 directors, including three executives, seven NEDs (including the chairman and deputy chairman) and 7 INEDs. The majority of the board (80%) are non-executives.
6. A board evaluation is conducted every two years to identify areas for enhancement and improving the board's effectiveness. In 2020, the board reviewed the progress of the action points and recommendations emanating from the 2019 review.
7. The disclosures in HKSH's financial review summary are more detailed and extensive than those of many other listed companies. To assist the reader, HKSH's summary elaborates on a number of key terms, including “earnings before interest, taxation, depreciation and amortization”, “revenue”, “share of results of joint ventures”.
8. In the context of the continuing uncertainty arising from Covid-19, the 2020 board meetings largely focused on the group's response to the pandemic and its impact and how the company might adapt its strategy to maximize the opportunity and support HKSH's long-term sustainability. Apart from overseeing and reviewing the response plan formulated by management, the board also considered:
  - progress of the measures taken by operations and the strategy for what is likely to be a long period of recovery;
  - the impact of various cash preservation and cash management measures, business resilience, liquidity, funding, ongoing capital expenditure projects and long-term financial planning;
  - retail leasing strategy, short- to medium-term budgets, and the group's strategy for business diversification in an increasingly uncertain world.

Between meetings the board was also kept apprised of the impact of the pandemic on each business unit, and the necessary business support measures that had been introduced, including in relation to ensuring employee safety, business resilience through necessary cost control measures, and other mitigating actions being driven by management. This is indicative of a board and management working closely together and with the focus and resolve to weather the storm, during what has been a difficult time for the hotel industry.

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

### MOST SUSTAINABLE COMPANIES GOLD AWARD

#### Hysan Development Company Limited

##### Board of Directors:

##### EXECUTIVE

Lee Irene Yun-Lien (Chairman)

##### NON-EXECUTIVE

Jebsen Hans Michael, *BBS*

Lee Anthony Hsien Pin

Lee Chien

Lee Tze Hau Michael

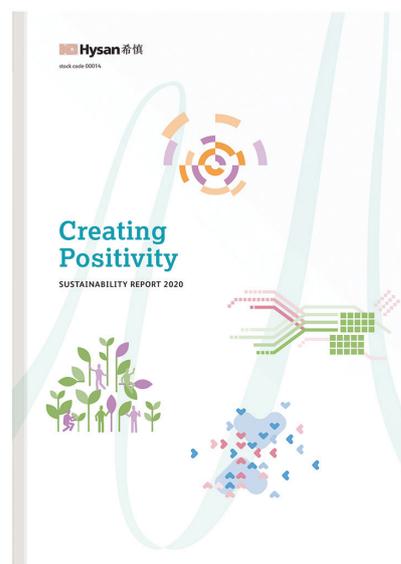
##### INDEPENDENT NON-EXECUTIVE

Churchouse Frederick Peter

Fan Yan Hok Philip

Poon Chung Yin Joseph

Wong Ching Ying Belinda



## Findings

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1. Hysan Development Company Limited (“Hysan”)’s corporate policies and guidelines are extensive, the details of which are available on the company’s website, enhancing overall transparency. This includes issuing a code of ethics applicable to all staff and directors, joint venture partners, contractors and suppliers in 2020.
2. The board appointed an advisor and set up four committees, including a board-level Sustainability Committee, which was established in 2020 to identify, review, assess and make recommendations regarding the group’s corporate responsibility, sustainability development and climate change position. Underneath this committee, a management-level Sustainability Executive Committee was set up to formulate and deliver strategy-level management over all sustainability projects. Various sustainability task forces were also formed to execute relevant projects.
3. Hysan’s sustainable development is supported by four principles – “LIFE”:
  - Leap into smart and eco-business
  - Integrate with our communities
  - Foster partnership with our people
  - Establish strong CGTargets have been set under each of the principles, which, in most cases, are on track or have been met. The company seeks to align its effort with the UNSDGs.
4. Hysan has nine directors on the board, consisting of the chairman and eight non-executive directors (including four INEDs). There are seven male and two female directors. The board is committed to improving gender diversity as and when suitable candidates are identified.
5. The risk management and internal control report is informative and nicely presented. It outlines the company’s top-down/ bottom-up risk management framework, illustrates the risk management process and “three lines of defence” model with a flow chart, and highlights the improvements made to strengthen the risk management and internal control system. The report also illustrates the major risk areas, with changes in risk levels supported by narrative explanations and disclosure of mitigation measures.
6. Although the annual review of the internal control system found the system to be operating satisfactorily, the company made efforts to enhance its internal control environment in 2020. Changes included:
  - Introducing tax governance, anti-fraud and human rights policies in 2020 and 2021.
  - Developing a Risk Management Guideline to state the risk management process, as well as new elements introduced for risk identification, risk evaluation and risk reporting.
  - Strengthening the monitoring of material risks and emerging risks, i.e. new or evolving risks with potential significant impact.
  - Refining the risk register with new definitions of risk velocity, risk treatment and risk tolerance.
7. In terms of board evaluation, each director plays a role in evaluating the board’s performance in order to ensure the effectiveness of the board. The process entails:
  - The board and board committees conduct self-evaluation questionnaires annually, which are anonymous, responding to questions surrounding performance and effectiveness.
  - Directors provide ongoing, real-time feedback, in addition to the annual questionnaires.
  - A summary of the evaluation results is provided to the board and its committees.
  - The board and board committees consider and discuss constructive insights and action plans in light of the evaluation process, as appropriate.

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

## MOST SUSTAINABLE COMPANIES SPECIAL MENTION

### Pacific Basin Shipping Limited

#### Board of Directors:

##### EXECUTIVE

David M. Turnbull (Chairman)

Mats H. Berglund (Chief Executive Officer)

Peter Schulz

##### INDEPENDENT NON-EXECUTIVE

Patrick B. Paul

Robert C. Nicholson

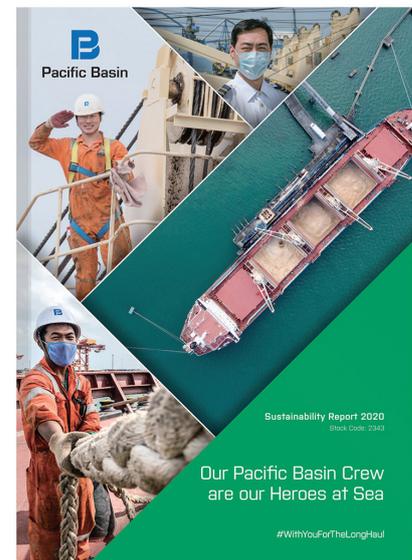
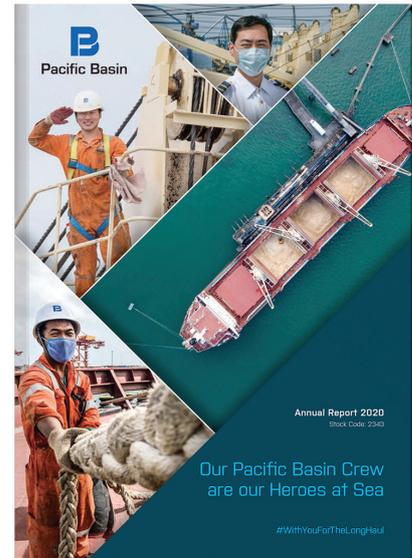
Alasdair G. Morrison

Irene Waage Basili

Stanley H. Ryan

Kirsi K. Tikka

John M.M. Williamson



## Findings

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1. Pacific Basin Shipping Limited (“PBS”) has established a Sustainability Management Committee (“SMC”) to review, assess and enhance the sustainability policies, strategies and performance. Reporting to the Audit Committee of the board at least twice a year, the SMC:
  - comprises the CEO, CFO and six senior executives from different functions;
  - reviews, assesses and enhances the group’s sustainability policies, strategies and performance, and ensures that the company is in full compliance with the relevant ESG requirements; and
  - implements environmental KPI targets endorsed by the board.
2. The section of the Annual Report, “Strategy Delivery and Risks”, neatly set out different area of risks with corresponding mitigation measures. In respect of dealing with environmental risks, in the subsection of “Safeguarding Health, Safety and Environment”, it is explained that, among other things, the company partnered with CLP to offset carbon emissions from its global shore-side operations starting in 2020, including all office activities, commuting and business and crew travel.
3. In respect of dealing with CG risks, the company’s anti-bribery practices and high standards of CG have been certified by TRACE, the world’s leading anti-bribery standard setting organization, and are underscored by its admission as a member of the Maritime Anti-Corruption Network. Regular anti-bribery training has been organized to shore-based staff and seafarers.
4. PBS states that its sustainability initiatives and targets are aligned with the UN’s 2030 Agenda for Sustainable Development and, in particular, with several UNSDGs, namely the goals on environmental stewardship, safety, workplace and business practices, community engagement and CG. The company makes reference to TCFD Recommendations in identifying climate risks and opportunities and developing its approach to addressing these. It also aligns with emission reduction target set by International Maritime Organization (“IMO”) and various requirements set by the IMO.
5. The company’s own fleet’s carbon intensity continues to reduce and is currently on course to meet the IMO-aligned target of a 40% improvement by 2030 relative to 2008, and to halve the industry’s total GHG emissions by 2050. The company prioritizes health and safety and has provided a detailed explanation of policies and practices in this regard. In 2020, lost time showed a 15% improvement year on year and was the lowest figure since 2005.
6. The board comprises ten members, consisting of the chairman, two executive directors and seven INEDs, including two women, and is thus a majority independent board, with above average gender diversity. In terms of the importance of ESG, the company strengthened its sustainability governance structure and board’s oversight of ESG matters by formalizing the SMC, which reports to the Audit Committee established under the board. The Audit, Remuneration and Nomination Committees are fully independent, which is a good practice.
7. PBS has voluntarily disclosed its change in board composition over the past five years, improving its board independence from 55% in 2016 to 70% in 2020. The Chairman’s Statement notes that, during the year, the CEO and ED tendered his retirement notice and that his successor, who is briefly introduced, takes up office with effect from 31 July 2021.

# H-share Companies and Other Mainland Enterprises Category

## MOST SUSTAINABLE COMPANIES GOLD AWARD

### Lenovo Group Limited

#### Board of Directors:

##### EXECUTIVE

Yang Yuanqing (Chairman and Chief Executive Officer)

##### NON-EXECUTIVE

Zhu Linan

Zhao John Huan

##### INDEPENDENT NON-EXECUTIVE

Nicholas C. Allen

William O. Grabe

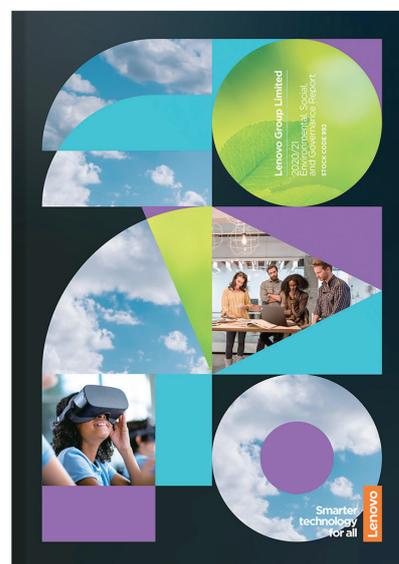
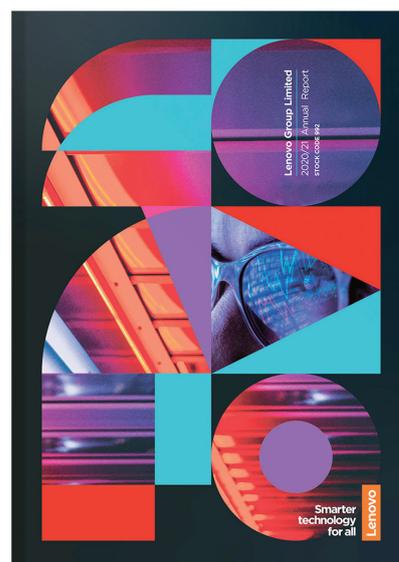
William Tudor Brown

Yang Chih-Yuan Jerry

Gordon Robert Halyburton Orr

Woo Chin Wan Raymond

Yang Lan



## Findings

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1. Lenovo Group Limited (“Lenovo”) integrates CG and ESG principles into its operation. The company is committed to conducting business legally, ethically, and with integrity. It has an Ethics and Compliance Office (“ECO”) which oversees the ethics and compliance function across the organization, including Lenovo’s code of conduct. The code mandates compliance with applicable laws in markets where the company conducts its business and the company’s policies strongly support ethical and responsible business practices, including in relation to anti-bribery and corruption, anti-competition practice and fair competition, and respect for intellectual property rights.
2. Lenovo’s ESG mission is clearly illustrated by a road map, progress and quantifiable targets, enabling the reader to better understand the direction of its ESG and how effectively it is progressing.
3. Lenovo has a clear top-down structure for sustainability management, including:
  - ESG Executive Oversight Committee (“EOC”) to provide strategic direction and facilitate the coordination of ESG efforts across the company. The EOC is chaired by the chief corporate responsibility officer (“CCRO”), and includes executives from numerous business areas.
  - The board’s chairman and CEO has signed a Corporate Sustainability Policy, which outlines the ESG principles that guide the company’s operations. Its governance structure, including the board, provides support to the company’s ESG programme and process by regularly evaluating ESG-related risks and Lenovo’s responses to the risks. The CCRO provides executive leadership for the company’s ESG position, including climate change programmes.
4. Lenovo has reached and exceeded its 2020 climate change goal one year ahead of the target. The company is working both internally and externally to minimize and mitigate climate risks by (i) implementing a corporate climate and energy policy; (ii) executing a long-term comprehensive climate change strategy; and (iii) setting corporate-wide objectives and targets.
5. Consolidated metrics from five years’ performance in different aspects (general financial results, employee representation, employee training, OHS – safety, communities and philanthropy and environmental data) are available for comparison. The company has introduced new environmental data since 2020/21 (such as water intensity metrics and waste diverted from/to disposal by recovery/disposal operation).
6. The company’s progress in ESG performance and its goals are disclosed in the Environmental, Social and Governance report. Lenovo also reviews its targets (product, site location, supply chain aspects) annually. As for its 2020/21 performance, more than 60% of targets were met, 12% were partially met and 12% of targets were long-term targets on track.
7. The company has seven INEDs out of 10 directors (i.e., more than two-thirds), exceeding the Listing Rules requirements of one-third and exhibiting a highly independent board composition. Lenovo has only one ED, acting as chairman of the board and CEO.
8. A Lead INED has been appointed to chair the Nomination and Governance Committee meetings and/or the board meeting when considering (i) the combined roles of chairman and CEO; and (ii) assessment of the performance of chairman and CEO. This helps to provide checks and balances.
9. Lenovo has a separate Compensation Committee Report and a clear compensation policy, setting out five overall principles and objectives and clear long-term incentive schemes for directors and employees. There is also a clear basis for determining directors’ remuneration with analysis between fixed and variable items. A claw back policy is in place to recover compensation from selected executives, including the chairman and CEO and senior management, as a result of any wrongdoings, fraud or non-compliance, leading to restatement of the company’s financial statements.
10. Lenovo conducts a board evaluation every two years, aimed at improving the collective contribution of the board as a whole, and also the competence and effectiveness of each individual director. The lead INED is delegated with the authority to take a key role in the board evaluation process. The evaluation results are prepared by the Nomination and Governance Committee for the board’s consideration.

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

### MOST SUSTAINABLE ORGANIZATIONS GOLD AWARD

#### Airport Authority Hong Kong

##### Board of Directors:

##### EXECUTIVE

Fred Lam, *JP* (Chief Executive Officer)

##### NON-EXECUTIVE

Secretary for Transport and Housing

– The Hon Frank Chan Fan, *JP*

Secretary for Financial Services and the Treasury

– The Hon Christopher Hui Ching-yu, *JP*

Director-General of Civil Aviation

– Victor Liu Chi-yung, *JP*

##### INDEPENDENT NON-EXECUTIVE

The Hon Jack So Chak-Kwong, *GBM, GBS, OBE, JP* (Chairman)

Rock Chen Chung-nin, *SBS, BBS, JP*

Irene Chow Man-ling

Stuart Thomson Gulliver

The Hon Steven Ho Chun-yin, *BBS*

Nisa Bernice Leung Wing-yu, *JP*

The Hon Lo Wai-kwok, *SBS, MH, JP*

Adrian Wong Koon-man, *BBS, MH, JP*

Billy Wong Wing-hoo, *BBS, JP*

William Wong Ming-fung, *SC, JP*

Thomas Jefferson Wu, *JP*

The Hon Frankie Yick Chi-ming, *SBS, JP*

The Hon Allan Zeman, *GBM, GBS, JP*



## Findings

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1. Airport Authority Hong Kong (“AAHK”)’s Annual and Sustainability Reports are easy to read and make good use of graphics and illustrations to enhance the reader’s experience.
2. Its Sustainability Report clearly summarizes AAHK’s goals and targets for each of the topics of concern to stakeholders. The quantitative ESG KPIs are well-organized in tables with descriptions of assumptions and calculation methods.
3. The Chairman’s and the CEO’s Messages explain the relief measures that AAHK implemented to assist the airlines and business partners during the pandemic, including the purchase of 500,000 air tickets from Hong Kong-based airlines to be used in future promotional campaigns, and the procurement of ground services equipment from aviation support services operators, rental concessions, and reductions or waivers of fees, to help the airport community, covering airlines, retailers, caterers and franchisees. In addition, various measures were implemented to safeguard employees.
4. Information on the organization’s risk management and internal controls is well presented with charts and tables. The key risks (e.g. strategic and operational) and mitigation measures are clearly disclosed in the Annual Report. For example, to address environmental risks, AAHK maintains an environmental management system in accordance with ISO14001; ensures that projects, including the 3RS project, incorporate environmental considerations from an early planning stage, and ensures that any environmental footprint reduction measure is supported by a sound business case that is based on a combination of cost and/or risk reduction.
5. AAHK chooses to benchmark itself against the CG Code under the Listing Rules, to promote transparency and openness. Explanations have been given for any deviation from the CG Code provisions and RBPs. AAHK has imposed a more stringent guideline for issuing board papers to board members at least three clear days before a meeting (as opposed to only three days required by CG Code). This allows more time for directors to prepare themselves for meetings.
6. The roles of chairman of the board and CEO have been segregated and not performed by the same individual. The allocation of power and authority within the corporate structure is adequately balanced. In addition to the Chairman’s Statement, the CEO also issued a statement to AAHK’s stakeholders.
7. The board comprises a vast majority (76%) of INEDs (excluding the three public officers and the CEO). As at 31 May 2021, there were, totally, 17 Board members, including one ED (the CEO), three NEDs (public officers) and 13 INEDs.
8. Attendance by directors at meetings of the board and board committees is disclosed on an individual and named basis. The average attendance rate is more than 80%: Board (99%), Audit Committee and Finance Committee (83.3%), 3RS & Works Committee (86.8%), Business Development Committee (87.5%) and Human Resources & Remuneration Committee (100%).

## Hang Seng Index Category

### CORPORATE GOVERNANCE SPECIAL MENTION

#### AAC Technologies Holdings Inc.

##### Board of Directors:

##### EXECUTIVE

Pan Benjamin Zhengmin (Chief Executive Officer)

Mok Joe Kuen Richard

##### NON-EXECUTIVE

Wu Ingrid Chun Yuan

##### INDEPENDENT NON-EXECUTIVE

Zhang Hongjiang (Chairman)

Au Siu Cheung Albert, *BBS*

Peng Zhiyuan

Kwok Lam Kwong Larry, *SBS, JP*



## Findings

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1. AAC Technologies Holdings Inc. (“AAC”) strives to go beyond mere compliance with the CG Code, in areas such as correlating significant proportion of the EDs’ remuneration with corporate and individual performances, the board and committees conducting an annual evaluation of their performance, and putting in place an effective whistleblowing policy.
2. The board comprises seven directors: two executive directors, a NED and four INEDs, so INEDs represent more than 50% of the members of the board. There is disclosure of the process for the selection and appointment of candidates for directorships. A clear statement is made about directors’ time commitments and other directorships held and regarding continuous professional development.
3. A performance evaluation of the company’s board and committees is conducted internally on a yearly basis, by mean of a questionnaire, the scope of which is spelled out and covers the following areas:
  - Structure and composition of the board and committees, such as size, selection process.
  - Responsiveness to special incidents, diversity of board members.
  - Board culture and collegiality.
  - Board information quality: Accuracy, relevance, digestibility, timeliness and access to management.
  - Board process and adequacy of meetings.
  - Relationship with management (performance measures, visibility, mutual trust).
4. The work done by the board is set out clearly under a number of areas including policies, stakeholders, business and financial operations, CG and board committees.
5. A detailed governance framework on internal control and risk management process is in place, with a table showing the responsibilities of each of the relevant parties. These parties include an external professional firm that reports and discusses with the Audit and Risk Committee any weaknesses in the internal controls of the accounting and operating systems, revealed by the specified scope of their work.
6. A Sustainability Working Group has been set up to report directly to the board. The working group’s objectives include identifying the company’s sustainability risks and opportunities, evaluating the effectiveness of existing ESG initiatives and the progress of ESG performance, as well as advising the board on a sustainability strategy and management approach.

## Hang Seng Index Category

### CORPORATE GOVERNANCE SPECIAL MENTION

#### AIA Group Limited

##### Board of Directors:

##### EXECUTIVE

Lee Yuan Siong (Group Chief Executive and President)

##### INDEPENDENT NON-EXECUTIVE

Edmund Sze-Wing Tse, *GBS* (Chairman)

Jack Chak-Kwong So, *GBM, GBS*

Chung-Kong Chow, *GBS*

John Barrie Harrison

George Yong-Boon Yeo

Lawrence Juen-Yee Lau, *GBS, JP*

Swee-Lian Teo

Narongchai Akrasanee

Cesar Velasquez Purisima



## Findings

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1. The board of AIA Group Limited (“AIA”) comprises 12 directors: two EDs and 10 INEDs and, therefore, the board is largely independent.
2. The board undertakes a regular formal evaluation of its own performance and that of its committees and individual directors to ensure that they all continue to perform effectively. The evaluation is conducted either by way of internal assessment or through independent external consultants.
3. A significant proportion of total remuneration granted in 2020 is subject to a multi-year performance, based on vesting conditions, which ensures that executives’ interests are closely aligned with those of AIA's long-term stakeholders. Components of executive compensation are well explained.
4. Though AIA deviates from CG Code Provision F.1.3 (i.e., the company secretary should report to the chairman of the board and/or the chief executive), the CG report explains that AIA operates under a variant of the model. The group company secretary reports to the group general counsel, who is ultimately accountable for secretarial function of the company, and who, in turn, reports directly to the group chief executive.
5. Being an insurer of risks, effective management of risks is a fundamental driver of value. AIA has ample coverage of its risk management framework. The group's risk management framework is embedded into key business processes and decision making.
6. AIA demonstrates its commitment in integration of CG, ESG and daily operations. For example, the company:
  - participates as a signatory in the TCFD, and continues to report against the TCFD recommendations in the Group’s ESG Report.
  - has five strategic focus areas, namely improving health and wellness, green operations, sustainable investment, people and culture, and effective governance, which help the company to achieve its ambition to be a global industry leader in ESG.
  - has established an ESG Committee to oversee the development of the ESG Strategy and monitor performance against ESG metrics and initiatives at the company. The ESG Committee comprises members of the Group Executive Committee and an INED.
  - monitors environmental regulation and opportunities in the area of green finance, and engages with companies in the group investment portfolio on ESG issues. In 2020 this included ongoing engagements on climate change and in assessing business resilience and preparedness against the impacts of the Covid-19. AIA reports that MSCI upgraded company's ESG rating to A, driven primarily by its integration of ESG considerations into its investment function.

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

### CORPORATE GOVERNANCE AWARD

#### Chow Tai Fook Jewellery Group Limited

##### Board of Directors:

##### EXECUTIVE

Cheng Kar-Shun Henry, *GBM, GBS* (Chairman)

Wong Siu-Kee Kent

Chan Sai-Cheong

Cheng Chi-Kong Adrian, *JP*

Cheng Chi-Heng Conroy

Cheng Chi-Man Sonia

Cheng Kam-Biu Wilson

Cheng Ping-Hei Hamilton

Suen Chi-Keung Peter

Liu Chun-Wai Bobby

##### INDEPENDENT NON-EXECUTIVE

Fung Kwok-King Victor, *GBM, GBS, CBE*

Or Ching-Fai Raymond, *SBS, JP*

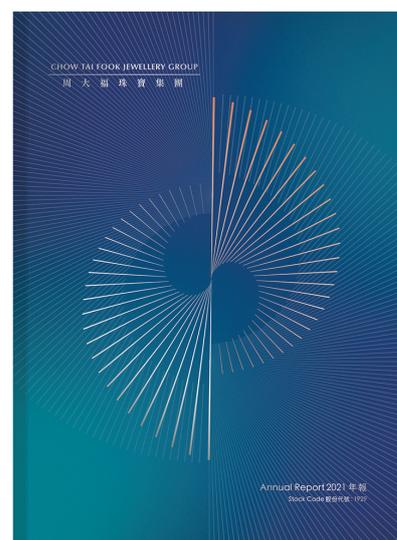
Kwong Che-Keung Gordon

Cheng Ming-Fun Paul, *JP*

Lam Kin-Fung Jeffrey, *GBS, JP*

Chia Pun-Kok Herbert

Cheng Ka-Lai Lily



## Findings

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1. Chow Tai Fook Jewellery Group Limited (“CTF”) confirms its compliance with all the principles and provisions of the CG Code, with examples showing how some of the code provisions are complied with.
2. In its Annual Report, the company draws an analogy between its CG framework and its “4Ts” concept introduced by T MARK diamond brand, ensuring that its diamonds are natural and ethically sourced. The same set of principles drives CTF’s CG development, i.e.:
  - Transparent: Transparent disclosures and constructive dialogues are implemented to foster genuine mutual understanding with stakeholders.
  - Thoughtful: Embracing leaders with independent mindset, versatile expertise and business acumen.
  - Truthful: Upholding long-established culture of integrity, to safeguard the fundamental interests of stakeholders and build trusting relationships with them.
  - Traceable: Enhancing accountability via institutionalized structures and measures to drive better utilization of resources and fulfilment of stakeholders’ interests.
3. The CTF’s CG report provides useful biographical details of the board directors and senior management, as well as explaining the diversity objectives and approach towards board refreshment. The company has made progress in terms of improving the ratio of women and INEDs on the board over the past several years.
4. The main work done by the board and the Nomination, Remuneration and Audit Committees is clearly set out in terms of specific subject areas and the quarter in which they were discussed. The report also indicates areas where increased attention was given during the year.
5. The nomination policy and process is clear, including the stages of preparation, nomination and appointment. In the first stage, it is noted that the board will identify desirable perspectives and experience that an optimal board requires, and evaluate the strengths and weaknesses of the current composition.
6. The risk management report discloses principal risks that are related to CTF’s business objectives and strategies, the corresponding risk trends and how to control and mitigate those risks. The section on emergency preparedness informs the reader how the company responds to crises. The risk governance model illustrates the company’s “three lines of defence” approach which includes, in the third line of defence, whistleblowing officers responsible for investigating misconduct and fraud cases, and reviewing the effectiveness of remedial actions.
7. Under the “Shareholder Communication” section of the Annual Report, the company explains its dividend policy and includes a clear diagram showing 5-year comparison of its full-year dividend payout ratio.

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

## CORPORATE GOVERNANCE SPECIAL MENTION

### HKT Trust and HKT Limited

#### Board of Directors:

##### EXECUTIVE

Li Tzar Kai, Richard (Chairman)  
Hui Hon Hing, Susanna

##### NON-EXECUTIVE

Peter Anthony Allen  
Chung Cho Yee, Mico  
Li Fushen  
Zhu Kebing  
Srinivas Bangalore Gangaiah

##### INDEPENDENT NON-EXECUTIVE

Chang Hsin Kang, *GBS, JP*  
Sunil Varma  
Aman Mehta  
Frances Waikwun Wong



## Findings

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1. The board of HKT Trust and HKT Limited (“HKT”) has a structured process to evaluate its own performance and directors’ contribution, on an annual basis, including a self-evaluation questionnaire that is completed by all directors.
2. The MD&A in the Annual Report contains a brief overview of main positive and negative factors affecting the business, and the impact on the business of major events, in particular the impact of the Covid-19 pandemic. While income from mobile roaming services was depressed due to the constraints on travel, the uptake of local 5G services was positive and will remain a focus looking ahead.
3. There is a clear description of the risk management and internal control framework, which includes a “three lines of defence” operating model. Group Risk Management and Compliance, which co-ordinates enterprise risk management activities and reviews significant aspects of risk management for the group, reports to the Audit Committees at each regularly scheduled meeting. Group Internal Audit also reports to the Audit Committees at each regular meeting throughout the year the results of their activities during the preceding period pertaining to the adequacy and effectiveness of internal controls. There is also a clear and succinct illustration of the key processes used to identify, evaluate and manage the group’s significant risks. The group adopts the principles of ISO 31000:2018 Risk management – Guidelines as its approach to manage its business and operational risks.
4. The Annual Report contains a comprehensive list of issues considered by HKT’s Audit Committee during the year.
5. A number of factors are disclosed that determine the remuneration packages of directors and senior management of the company, including changes in relevant markets, and supply and demand fluctuations, and changes in competitive conditions.
6. In terms of integrating CG and ESG, it is noted that
  - HKT is one of the founding members of the Sustainable Procurement Charter launched by the Green Council, which shows HKT’s commitment in this area of ESG.
  - The company has issued a separate, well-presented ESG Report. In the report, it states that HKT is committed to integrating CSR into its business operation and confirms that the board formulates strategies and maintains oversight of the ESG performance, while the Executive Committee oversees several sub- committees and working groups to ensure CSR policies and risk management systems are implemented effectively.
  - HKT has integrated ESG considerations into different aspects of its business, e.g. environmental, employment and labour standards, supply chain management, CG, etc.

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

## CORPORATE GOVERNANCE SPECIAL MENTION

### Convenience Retail Asia Limited

#### Board of Directors:

##### EXECUTIVE

Richard Yeung Lap Bun (Chief Executive Officer)

##### NON-EXECUTIVE

Victor Fung Kwok King (Chairman)

William Fung Kwok Lun

Godfrey Ernest Scotchbrook

Benedict Chang Yew Teck

##### INDEPENDENT NON-EXECUTIVE

Anthony Lo Kai Yiu

Zhang Hongyi

Sarah Mary Liao Sau Tung



## Findings

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1. Convenience Retail Asia Limited (“CRA”) continues to maintain a good CG standard for a company in this category. Its operations and financial performance were not affected under Covid-19, which is suggestive of a stable management and resilient operations.
2. CRA explains the reasons behind its disposal of a leading convenience retail chain in Hong Kong in December. The disposal helped unlock value and provided a healthy special cash dividend, enabling its shareholders to benefit from a re-rating of the group, which has redirected its business towards a new phase of growth as a multi-brand, specialty retailer in the Greater Bay Area.
3. The board is currently composed of the non-executive chairman, one ED, three INEDs and three NEDs. The roles of chairman and CEO are held separately to enhance independence, accountability, and responsibility. The chairman is responsible for overseeing the proper functioning of the board with good CG practices and procedures, whilst the latter is responsible for managing the group’s businesses, including the implementation of major strategies and initiatives adopted by the board.
4. The board conducted an annual evaluation through questionnaires, which were sent to each director to provide his/ her views on issues, including the overall performance of the board and its committees, board composition, the conduct of board meetings and provision of information to the board. Responses to the questionnaires are analysed and discussed at the Nomination Committee, and at board meetings. Any suggestions made by the directors are considered and implemented as appropriate to enhance CG practices.
5. CRA maintains a tailored governance structure with defined lines of responsibility and appropriate delegation of authority. Risk identification, assessment, reporting and mitigation are performed across the business. There are three layers of roles and responsibilities for managing risks and internal controls, including:
  - “Oversight”: By the board as a whole, with reviews being conducted through the Audit Committee.
  - “Risk and control owner”: The management and business units.
  - “Risk monitoring and communication”: By the corporate compliance team.
6. The company has published a separate ESG report. CRA indicated that the governance of material sustainability topics is an important element of its CG. Environmental and social risks are included as part of the enterprise risk management programme. The company’s sustainability governance structure is led by the board. Under that, a CSR Steering Committee, headed by the CEO, has been set up to oversee strategies, policies, initiatives and performance on sustainability matters, principally in relation to the four pillars of employment, community involvement, product responsibility and environmental protection, which are linked to fulfilment of related UNSDGs.

# H-share Companies and Other Mainland Enterprises Category

## CORPORATE GOVERNANCE SPECIAL MENTION

### China Power International Development Limited

#### Board of Directors:

##### *EXECUTIVE*

Tian Jun (Chairman)

He Xi (President)

##### *NON-EXECUTIVE*

Guan Qihong

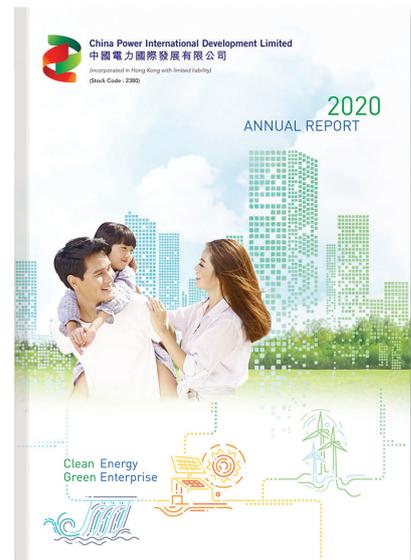
Wang Xianchun

##### *INDEPENDENT NON-EXECUTIVE*

Kwong Che Keung Gordon

Li Fang

Yau Ka Chi



## Findings

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1. China Power International Development Limited (“China Power”) has produced a well-presented Annual Report with clear 2020 Performance Highlights and comparison with the 2019 figures at the beginning.
2. The company complied with all the CG Code provisions under the Listing Rules throughout the year ended 31 December 2020, except for A.2.1, for a transitory period, following which the same person ceased to serve as both the chairman of the board and the president (being the chief executive) of the company in July last year.
3. China Power has a clear sustainability governance structure and the company has incorporated ESG issues in project development. It has identified and analysed its climate-related physical and transitional risks and follows the TCFD recommendations.
4. The board has established clear responsibilities and authorities for management to ensure daily operational efficiency, including ESG initiatives and strategies. The Annual Report contains succinct reports on the work done by the board committees.
5. The Risk Management Report clearly outlines the risk management framework with “three lines of defence”, the risk management mechanisms and procedures. It also describes the major risks and discloses the risk trends and the key response measures.
6. A Sustainability Working Committee has been established to assist the Risk Management Committee in providing leadership, direction and oversight in formulating the policies and implementing the practices in relation to the company’s sustainability.
7. Unfavourable circumstances/ statistics are candidly disclosed and discussed. The company reported that three environmental protection indicators recorded an adverse increase as compared with the previous year. This was mainly attributable to the higher average emission rate resulting from the year-on-year growth of power generation of two 660MW generating units that have not yet met the ultra-low emission standard.
8. It is noted that China Power has won a number of accolades for its sustainability, transparency and other aspects of its governance and operations.

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

### CORPORATE GOVERNANCE AWARD

#### Securities and Futures Commission

##### Board of Directors:

##### EXECUTIVE

Ashley Alder, *SBS, JP* (Chief Executive Officer)

Julia Leung Fung-yee, *SBS*

Thomas Atkinson

Christina Choi Fung-yee

Brian Ho Yin-tung

Rico Leung Chung-yin

##### NON-EXECUTIVE

Tim Lui Tim-leung, *SBS, JP* (Chairman)

Agnes Chan Sui-kuen

Clement Chan Kam-wing, *MH, JP*

Edward Cheng Wai-sun, *GBS, JP*

Victor Dawes, *SC*

Lester Garson Huang, *SBS, JP*

James C Lin

Nicky Lo Kar-Chun, *SBS, JP*



## Findings

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1. The Securities and Futures Commission (“SFC”) has an informative CG section in its Annual Report, with good use of graphics to illustrate the key components of its CG framework and organization structure.
2. SFC is committed to upholding a high standard of CG. The roles and responsibilities of the non-executive chairman and the CEO are separate and distinct. The SFC has established board committees (e.g. Audit Committee and Investment Committee) for overseeing internal control, as well as external committees (e.g. Advisory Committee) to provide advice and conduct independent reviews. Independent bodies such as the Securities and Futures Appeals Tribunal and the Ombudsman provide checks and balances on SFC’s operation and use of its regulatory powers.
3. The board of the SFC conducts a self-assessment on a bi-yearly basis and board members’ complete assessment questionnaires on anonymous basis, to determine how well the board is functioning in some key areas of its responsibilities.
4. To uphold a high standard of integrity and exercise rigorous controls over the use of public funds, the SFC also engages an independent external professional firm to conduct an annual review of its financial control policies and procedures, to ensure that they remain practical and robust.
5. The SFC’s Annual Report provides a thorough operational review, detailing the principal areas of its work and responsibilities, including in relation to corporates, intermediaries, products, markets, enforcement and stakeholders. This enhances stakeholders’ understanding of how the SFC is discharging its duties and fulfilling its regulatory functions.
6. In terms of integrating CG and ESG, it is noted that:
  - There is a CSR committee reporting to the Executive Committee, which is responsible for formulating SFC’s CSR vision and framework, promoting activities, setting targets and measuring effectiveness. Within the committee, there are three working groups and each is responsible for planning and implementing initiatives under a specific theme.
  - A cross-divisional risk review group is in place to identify and monitor potential and emerging risks regularly and to report to the board and the Executive Committee.
  - The SFC is promoting stronger ESG governance and reporting within the fund industry, based on the TCFD recommendations. Following a consultation, it is planning to amend the Fund Manager Code of Conduct to require fund managers to consider climate-related risks in their investment management and make related ESG disclosures.

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

### CORPORATE GOVERNANCE SPECIAL MENTION

#### Mandatory Provident Fund Schemes Authority

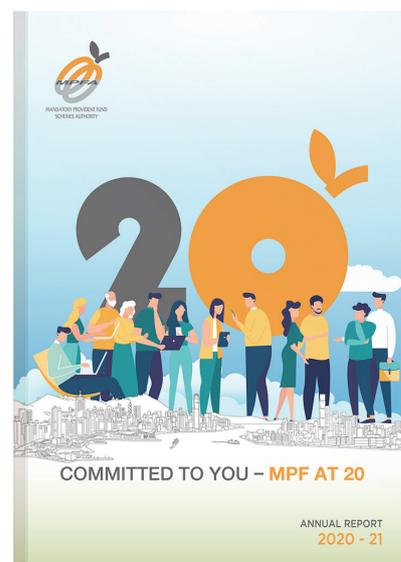
##### Board of Directors:

##### EXECUTIVE

Alice Law Shing-mui (Deputy Chairman)  
Cheng Yan-chee  
Leo Chu King-chi  
Cynthia Hui Wai-yee  
Gabriella Yee Gar-bo

##### NON-EXECUTIVE

Ayesha Macpherson Lau, *JP* (Chairman)  
Chan Kam-lam, *GBS, JP*  
Bankee Kwan Pak-hoo, *JP*  
Simon Wong Kit-lung, *JP*  
Yvonne Cheng Wai-sum, *SC*  
Lam Chun-sing  
Hon Jimmy Ng Wing-ka, *BBS, JP*  
Bill Tang Ka-piu, *BBS, JP*  
Secretary for Financial Services and the Treasury  
– Christopher Hui Ching-yu, *JP*  
Secretary for Labour and Welfare  
– Law Chi-kwong, *GBS, JP*



## Findings

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1. The Mandatory Provident Fund Schemes Authority (“MPFA”) has produced a well-structured Annual Report with good use of graphics to improve the reader’s experience. The report explains the governance structure diagrammatically and provides information on the roles and responsibilities of its board and committees. The MPFA board reflects diversity in terms of gender, professional expertise, etc.
2. The eMPF Platform, a flagship project for the organization, is discussed in various sections of the Annual Report. It is noted that the platform will streamline MPF scheme administration, enhance the users’ experience, improve efficiency and reduce the overall costs of the MPF system.
3. To deal with the impact of the Covid-19 pandemic, MPFA introduced the following measures:
  - A Crisis Command Team, set up in January 2020, met twice a month on average during the year. It monitored the development of the pandemic, assessed its impact on the operations of MPFA and the MPF sector as well as MPF scheme members’ interests, and made decisions on contingency measures.
  - Work arrangements for staff were made with flexibility at different stages of the pandemic, including work-from-home and split-team arrangements.
4. MPFA adopts a comprehensive “three lines of defence” model in its risk management and internal controls covering (i) operational management, (ii) oversight of risks and internal controls and (iii) internal audit assurance. Moreover, MPFA has established two different codes of conduct for its directors and employees, so as to cater for different focuses and needs of different groups within the organization.
5. Independent checks and balances are in place, with an Appeal Boards to hear appeals against the decisions of the Registrar of Occupational Retirement Schemes, and a Process Review Panel to review and advise MPFA on the adequacy and consistency of its internal procedures and operational guidelines governing its actions and operational decisions, in the regulation of MPF intermediaries and associated matters.
6. CSR development and performance in MPFA is overseen by a designated committee comprising staff across divisions, together with representatives of the Staff Welfare Committee and the volunteer team. The committee steers the direction of the MPFA’s CSR strategic developments, promotes and enhances awareness of CSR within the organization, coordinates corporate-wide CSR-related programmes and evaluates their effectiveness.

## Hang Seng Index Category

### ESG SPECIAL MENTION

#### The Hong Kong and China Gas Company Limited

##### Board of Directors:

##### EXECUTIVE

Alfred Chan Wing-kin, *BBS*

Peter Wong Wai-yee

John Ho Hon-ming

##### NON-EXECUTIVE

Lee Ka-kit, *GBS, JP* (Chairman)

Lee Ka-shing, *JP* (Chairman)

Colin Lam Ko-yin, *SBS*

##### INDEPENDENT NON-EXECUTIVE

The Hon Sir David Li Kwok-po, *GBM, GBS, OBE, JP*

Poon Chung-kwong, *GBS, JP*

Moses Cheng Mo-chi, *GBM, GBS, OBE, JP*



## Findings

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1. The Hong Kong and China Gas Company Limited (“Towngas”)’s ESG vision, strategies, action plans and implementation are largely in alignment and consistent with one another, for example:
  - The company’s vision is to be a leading clean energy supplier and quality service provider in Asia, with a focus on innovation and environmental friendliness.
  - To achieve this vision, Towngas has put forward sustainable strategies under the headings, “creating business opportunities”; “ensuring health and safety”; “protecting the environment”; “contributing to stakeholders”; and “strengthening corporate governance”.
  - Among the actions taken during the year, the company issued green bonds to fund different waste-to-energy projects. In addition, it has been developing a smart energy business to enhance energy utilization and dispatch efficiency, which is consistent with the company’s objectives in ESG and sustainable development.
2. To further integrate ESG practices into its business operations, Towngas has established an ESG Committee, chaired by the managing director. The committee consists of ten members from different areas of its business, including operations, finance, human resources, engineering, commercial, health, safety and the environment, and community engagement.
3. The ESG Committee is responsible for overseeing the company’s ESG strategies, policies and practices. Updates on ESG related policies, initiatives, progress, goals, targets and achievements are reported and discussed on a regular basis.
4. To prepare itself for different climate scenarios, the company conducted a study on how transition risks could impact the company’s energy-related business, both positively and negatively, in accordance with the TCFD recommendations. It expanded its reporting on various aspects of TCFD-recommended disclosures in 2020, resulting in more comprehensive analysis of ESG risks and opportunities faced by the business, in particular climate-related risks and opportunities. The company also explains how it contributed to four of the UNSDGs. Under “Climate Action”, Towngas indicates that its Climate Change Risk Assessment was extended to operations in the Mainland, and that its carbon intensity in Hong Kong has been reduced by 23% compared with the baseline of 2005.
5. A materiality assessment was conducted to identify important issues that reflect the company’s significant economic, environmental and social impacts. Towngas adopted the internationally recommended three-step process of identification, prioritization and validation. It identified 23 material issues to address and report on in the year, and responded to the issues identified in relevant sections of the report.
6. Towngas invests in environmentally-friendly innovative technologies. For example, the company has:
  - developed a new technology that utilizes agricultural waste such as straw and corn cobs for the production of cellulosic ethanol, an advanced biofuel, as well as paper pulp and furfural, a chemical that can be used as a building block for renewable fuels; and
  - converted inedible bio-grease feedstock into advanced biofuels, and organic wastes into natural gas.

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

### ESG AWARD

#### Swire Properties Limited

##### Board of Directors:

##### *EXECUTIVE*

Merlin Bingham Swire (Chairman)  
Guy Martin Coutts Bradley (Chief Executive)  
Ngan Yee Fanny Lung

##### *NON-EXECUTIVE*

Nicholas Adam Hodnett Fenwick  
Patrick Healy  
Siang Keat Raymond Lim  
Mei Shuen Michelle Low  
Martin James Murray

##### *INDEPENDENT NON-EXECUTIVE*

Lily Ka Lai Cheng  
Tak Kwan Thomas Choi  
Spencer Theodore Fung  
Jinlong Wang  
May Yihong Wu



## Findings

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1. In the Swire Properties Limited's Sustainable Development Report, the chief executive expresses his gratitude to employees, including customer-facing staff, for the selfless dedication they displayed, day after day, working in difficult conditions to provide safe and reliable places for the company's tenants and communities, during the pandemic.
2. Given that climate change continues to be a central focus for the company's business, Swire Properties is committed to the Science Based Targets initiative's Business Ambition for 1.5°C campaign, and is working to ramp up its science-based targets to align with the 1.5°C trajectory, in order to contribute to the transition to a net-zero emissions economy.
3. The company's Sustainable Development 2030 Strategy ("SD Strategy") clearly lists out its ESG targets, strategies and initiatives. Its Sustainable Development Report explains how the INDIGO roof garden, opened in 2018, provides a good example of how each of the five pillars of the SD Strategy, namely, "Places", "People", "Partners", "Performance (Environment)", and "Performance (Economic)", work in harmony to create sustainable places.
4. ESG is incorporated in the company's business operation strategy, e.g. linking the SD Strategy to the employee performance review system, integrating ESG-related risks into its corporate risk register and incorporating sustainable development considerations into annual budgets.

5. A Sustainable Development Steering Committee has been established to review the company's SD Strategy and ensure that the company's operations and practices are carried out in line with it. The committee is chaired by the chief executive, and consists of the finance director and five more members of Swire Properties' senior management from the development and valuations, human resources and administration, portfolio management, and technical services and sustainable development departments.

Underneath the committee, sustainable development working groups have been put in place to support efforts to achieve the KPIs in relation to each of the five strategic pillars.

6. Summary tables are provided to show progress towards meeting the 2020 KPIs under the above pillars. It is noted that most of the KPIs have been achieved, including the targets of reducing carbon intensity to help address climate change. There also a link in the report to clearly illustrated targets and KPIs for 2025 and 2030, under the strategic pillars.

Exceptions are reported in relation to the number of volunteering hours, in the "People" section, and water reduction targets for portfolios in Hong Kong and the Mainland, in the "Performance (Environment)" section. The disclosure of these unfavourable statistics demonstrates that Swire Properties aims to maintain transparency and balance in its reporting.

7. The company has started to publish climate-related financial disclosures with reference to the recommendations of the TCFD under the four core categories of governance, strategy, risk management, and metrics and targets. In 2020, the company completed a climate risk assessment for physical and transition risks and opportunities in its global portfolio.
  - Regarding physical risks, after a further assessment, the company concluded that the overall level of risk of flooding, heat stress, water stress, and extreme wind for its global portfolio, in all assessed climate scenarios, was low to moderate. This was attributed to the relatively robust adaptive capacity and mitigation measures integrated into the company's buildings.
  - In respect of transition risks and opportunities, Swire Properties identified a number of risk and opportunity drivers that could have a financial impact on its business under the International Energy Agency's 2°C Scenario, which are outlined in a table in a logical order.

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

### ESG SPECIAL MENTION

#### Manulife Financial Corporation

##### Board of Directors:

##### *EXECUTIVE AND NON-EXECUTIVE*

John Cassaday (Chairman)  
Roy Gori (President and Chief Executive Officer)  
Nicole Arnaboldi  
Guy Bainbridge  
Joseph Caron  
Susan Dabarno  
Julie Dickson  
Sheila Fraser  
Tsun-yan Hsieh  
Donald Lindsay  
John Palmer  
Jim Prieur  
Andrea Rosen  
Leagh Turner



## Findings

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1. In his message, in the company's Sustainability Report and Public Accountability Statement, the president and CEO of Manulife Financial Corporation ("Manulife") indicates that climate change considerations are being incorporated into all the company's decision-making, including from the following perspectives:
  - Operation: Manulife has achieved net zero carbon emissions in its operations and is committed to reducing absolute Scope 1 and 2 emissions by 35% by 2035.
  - Investments: Manulife will continue to grow its green investment portfolio, which currently totals \$39.8 billion, to support a net zero future, including renewable energy and energy-efficient buildings, and also to steer its investment portfolio to be net zero by 2050.
2. The company has been taking a sector-based approach, focusing first on the heavy emitting industries, such as power generation. Within this year, Manulife will establish near-term emissions reduction targets. To ensure this work achieves real climate benefits, Manulife is committed to formal third-party validation of its investment and operations targets by the Science Based Targets initiative.
3. Oversight of the ESG framework is part of the mandate of a board-level Corporate Governance and Nominating Committee, supported by:
  - An Executive Sustainability Council, which is responsible for establishing the company's sustainability ambition, guiding the development and execution of the sustainability strategy, and providing recommendations and direction on matters related to sustainability. The council is chaired by Manulife's global chief marketing officer, and consists of the global chief sustainability officer, along with nine members of the company's executive leadership team, including the CEO.
  - Subsidiary-specific committees, including a Sustainability Centre of Expertise, which discusses and aligns on sustainability-related matters, and a Climate Change Taskforce, which develops and drives climate action plan.
4. Manulife takes into account specific ESG factors before making any investment in investee entities. The company's ESG team works alongside investment teams to help them continue to integrate ESG into their investment process in an optimal way, given their investment approach. Across the company, the investment teams, in conjunction with the heads of each asset class, are also responsible for continually strengthening their sustainable investing approach and having oversight and accountability for the portfolios.
5. An inaugural Climate Report has been published, which is aligned with the TCFD recommendations. Specifically, Manulife conducted an analysis of the potential impacts under both high- and low-carbon scenarios for its agriculture and timber assets, to deepen its understanding of the climate-related risks and opportunities arising from these two areas.
6. To strengthen leadership and business accountability for diversity, Manulife has introduced customized leader Diversity, Equity, and Inclusion ("DEI") dashboards, which are reviewed quarterly by its CEO and Executive Leadership Team, and the company has included DEI in all people leadership goals. All segments and functions also develop their own action plans to improve diversity and inclusion, based on their specific challenges.

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

### ESG SPECIAL MENTION

#### Sino Land Company Limited

##### Board of Directors:

##### EXECUTIVE

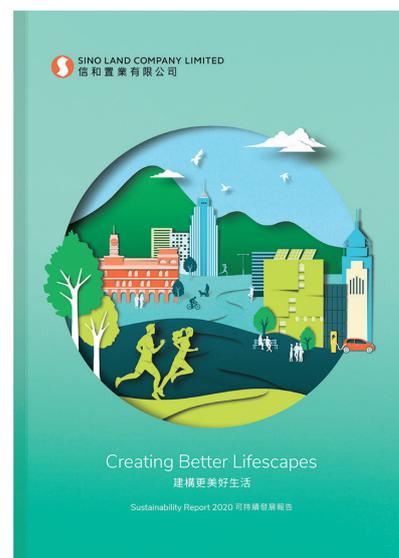
Robert Ng Chee Siong (Chairman)  
 Daryl Ng Win Kong, JP (Deputy Chairman)  
 Ringo Chan Wing Kwong  
 Gordon Lee Ching Keung  
 Sunny Yeung Kwong  
 Thomas Tang Wing Yung

##### NON-EXECUTIVE

The Hon Ronald Joseph Arculli, GBM, CVO, GBS, OBE, JP

##### INDEPENDENT NON-EXECUTIVE

Allan Zeman, GBM, GBS, JP  
 Adrian David Li Man-kiu, JP  
 Steven Ong Kay Eng  
 Wong Cho Bau, JP



## Findings

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1. The ESG vision, strategies and action plans of Sino Land Company Limited (“Sino Land”) are closely aligned with each other as set out in the company’s Sustainability Report:
  - Vision: “Creating Better Lifescapes”.
  - Strategies: The vision is achieved under the six pillars of “Green”, “Wellness”, “Design”, “Innovation”, “Heritage & Culture” and “Community”.
  - Action plans: Under “Green”, for example, recognizing the importance of protecting and enhancing biodiversity, the company has assigned 52,000 sq. ft. of green space covering more than 30% of the development area in one of its residential projects. Around 70 native species of flora have been planted within the green area, creating a rich and varied habitat.
2. Sino Land has established an ESG Steering Committee, comprising the deputy chairman and other EDs and key executives, who support the board in overseeing the group’s management approach to sustainability. Underneath the steering committee, subcommittees have been set up with representatives from across business units, who focus on developing the roadmaps and championing initiatives to deliver the goals and targets under the six pillars, mentioned above.
3. Stringent measures are in place for reducing GHG emissions in accordance with local government policies and international frameworks to combat climate change, such as Hong Kong’s Climate Action Plan 2030+ and the Paris Agreement. It is noted that a target has been set to reduce its GHG emissions by 30% by 2030, based on its 2012 baseline. As of 30 June 2020, a reduction of 17.7% was achieved, equivalent to 633,720 trees planted. In addition, the company advocates environmentally-responsible procurement practices across its business units and among its suppliers.
4. Sino Land strives to safeguard and enhance the wellness of its employees and the community, including their physical and mental wellbeing, so that they can make further advances in sustainable development and grow together. As an example, increased maternity benefits have been provided, including an additional 10-day paid parental leave. Female employees who have completed one year of service on their date of confinement can take the paid parental leave in the first year after their baby is born.
5. The company continues to adopt sustainable building standards, invest in improvements and incorporate energy-efficient features in its projects, to demonstrate the company’s commitment to green building investment. The projects under development with green building certification during the reporting period are identified in the Sustainability Report.
6. Sino Land announced its first green loan as well as details of its Green Finance Framework. The proceeds were fully allocated to St. George’s Mansions, the group’s new residential project at 24A Kadoorie Avenue, Kowloon, to implement sustainability elements in the project.

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

### ESG SPECIAL MENTION

#### Hang Lung Group Limited

##### Board of Directors:

##### EXECUTIVE

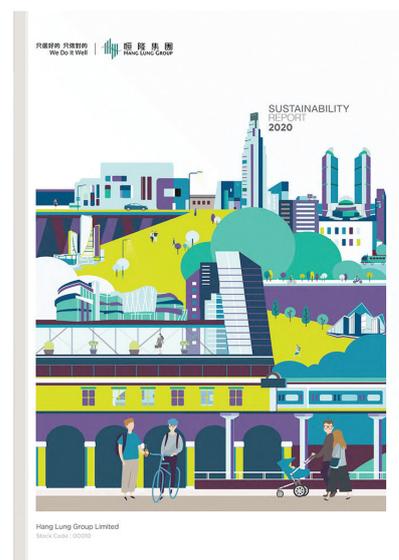
Ronnie Chichung Chan, *GBM* (Chair)  
Adriel Wenbwo Chan (Vice Chair)  
Weber Wai Pak Lo (Chief Executive Officer)  
Hau Cheong Ho

##### NON-EXECUTIVE

Gerald Lokchung Chan  
George Ka Ki Chang  
Roy Yang Chung Chen

##### INDEPENDENT NON-EXECUTIVE

Simon Sik On Ip, *GBS, CBE, JP*  
Pak Wai Liu, *SBS, JP*  
Lap-Chee Tsui, *OC, GBM, GBS, JP*  
Martin Cheung Kong Liao, *GBS, JP*



## Findings

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1. The CEO of Hang Lung Group Limited (“Hang Lung”) discusses the importance of putting in place KPIs that empower the company to drive change in areas as varied as GHG reduction, sustainable procurement for its operations and projects, and improving wellbeing for the company’s employees, with departmental progress directly tied to their annual performance reviews.
2. The company has set clear long-term carbon reduction targets, including 70% reduction of Scope 1 and 2 GHG emissions intensity (per m2) by 2030 compared to the 2018 baseline and building a nearly net zero building. Hang Lung’s Sustainability Report includes a narrative description underneath the targets.
3. It is noted that the reported environmental KPIs excludes new properties that are operated by the group for less than two years to ensure the disclosed data reflect the normal operating conditions of the properties. The properties covered by the reported environmental KPIs include 24 properties in Hong Kong, as well as eight properties in the Mainland.
4. Hang Lung has established its own sustainability frameworks in four dimensions, including
  - Climate resilience: Addressing climate-related issues in alignment with the recommendations of TCFD and highlighting major gaps under the categories of “governance”, “strategy”, “risk management”, and “metrics & targets”.
  - Resource management: Improving the energy efficiency of its buildings, therefore conserving natural resources.
  - Wellbeing: Securing and retaining talent in an increasingly competitive landscape, through providing competitive compensation and benefits packages.
  - Sustainable transactions: Raising funds under due scrutiny to finance projects that will deliver environmental benefits to support both its business strategy and its long-term vision to achieve sustainability leadership.

Explanations of the company’s achievements, goals and targets are provided, under each of these dimensions.

5. A Sustainability Steering Committee, chaired by the vice chair of the group and comprising 10 executives from major departments, has been established to support strategy development, to ensure that understanding of, and expectations for, sustainability are aligned across the company, and to track the progress of plans being implemented.

A Sustainability Team has been formed under the steering committee, to serve as a central function that supports the entire business on all aspects of sustainability strategy and execution.

6. During the Covid-19 pandemic, multiple measures were adopted to provide practical support to the company’s staff and safeguard against the risk of infection, including:
  - Maintaining the stock level of surgical masks at 180 days to ensure sufficient supply for all employees;
  - increasing the overtime basic hourly rate for operational staff in Hong Kong by 30% during the third wave of the pandemic;
  - providing counselling services for colleagues who were mentally stressed during this period

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

### ESG SPECIAL MENTION

#### VTech Holdings Limited

##### Board of Directors:

##### EXECUTIVE

Allan Wong Chi Yun, *GBS, MBE, JP* (Chairman and Group Chief Executive Officer)

Pang King Fai (President)

Andy Leung Hon Kwong

##### NON-EXECUTIVE

William Wong Yee Lai

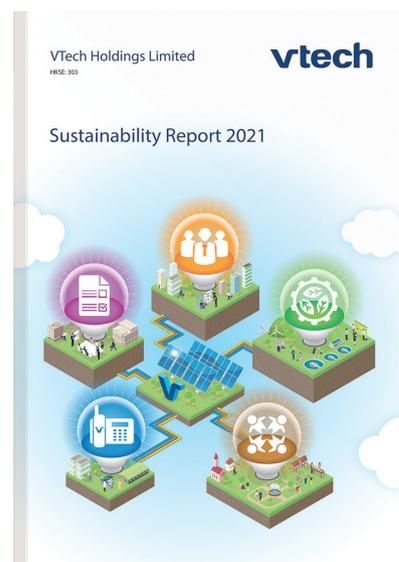
##### INDEPENDENT NON-EXECUTIVE

William Fung Kwok Lun, *SBS, OBE, JP*

Ko Ping Keung, *JP*

Patrick Wang Shui Chung, *SBS, JP*

Wong Kai Man, *BBS, JP*



## Findings

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1. The chairman of VTech Holdings Limited (“VTech”) indicates in his message in the company’s Sustainability Report that VTech has committed to replacing fossil-based plastics with sustainable alternatives by 2030, and has started the development of a number of green electronic learning products made of sustainable materials including plant-based plastic, and reclaimed plastic. The company has also sourced materials from responsibly-managed forests certified by Forest Stewardship Council for two new wooden toys.
2. The Risk Management and Sustainability Committee (“RMSC”), which is a board-level committee, is responsible for monitoring and reviewing the risk management and sustainability strategies of the group, and reviewing the reports from the Data Security Governance Board.
3. A Sustainability Sub-Committee has been formed to manage sustainability issues while implementing the policies and measures to achieve the strategic vision and direction approved by RMSC.
4. VTech has a supply chain management system in place to monitor the quality of its suppliers as well as their environmental and ethical performance. When selecting their preferred suppliers, specific requirements like labour, ethical standards, environment, and health and safety are taken into account. The company also requests its major suppliers to warrant that all materials and goods supplied to VTech do not and will not contain tin, tantalum, tungsten, or gold (collectively “3TG”) originating countries or areas considered to be conflict affected or high risk.
5. VTech summarizes and presents its achievements against the targets developed through its Sustainability Plan 2025, covering that financial years 2021 to 2025, in a table, under various sustainability pillars. Among these pillars, it is noted that the company achieved a positive performance against the previous year under the environmental aspect, for example:
  - The usage of renewable energy increased by 44.6%.
  - Total water consumption per production dropped by 11%.
  - Hazardous and non-hazardous waste per production output reduced by 19.0% and 10.3%, respectively.
  - Electricity usage per production output in assembly factories reduced by 15.7%.
6. In the financial year 2020, VTech started to disclose climate-related initiatives using the TCFD framework and it includes an analysis in its Sustainability Report. Rather than merely illustrating the overall impact of the climate-related risk and opportunities, VTech has taken the analysis to the next level over the short- (0-1 year), medium- (1-5 years), and long-term (5+ years), demonstrating the company’s commitment to addressing climate change challenges. For example, in terms of dealing with climate-related transition risks:
  - Short-term: The company anticipates that the responsible authority will keep enhancing the emissions-reporting obligations, which will increase its costs in meeting the new requirements.
  - Medium term: New regulatory requirements in relation to climate change on operations, products and service are expected to be released.
  - Long term: As a requirement for companies to bear the cost of GHG emissions, such as through carbon taxes and GHG emissions trading schemes, has been frequently advocated as a cost-effective instrument for reducing emissions, VTech expects shifts in its energy costs.

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

### ESG SPECIAL MENTION

#### China Everbright Greentech Limited

##### Board of Directors:

##### EXECUTIVE

Qian Xiaodong (Chief Executive Officer)

Yang Zhiqiang (Vice President)

Lo Kam Fan

##### NON-EXECUTIVE

Wang Tianyi (Chairman)

Guo Ying

Song Jian

##### INDEPENDENT NON-EXECUTIVE

Chow Siu Lui

Philip Tsao

Yan Houmin



## Findings

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1. China Everbright Greentech Limited (“CE Greentech”) has established a Sustainability Committee, consisting of the CEO and three INEDs, to assist the board in the implementation and supervision of the group’s sustainability work, and to report to the board on the group’s sustainability on a regular basis. To assist the committee, three sustainability working groups have been set up, comprising principals of relevant departments and staff members appointed by these principals from the operations management group, employment and community investment group, and compliance and risk group.
2. The company has identified eight sustainability risks, including those relating to:
  - Climate change, for which the company has been putting forward various measures to reduce GHG emissions in its operations and production.
  - Supply-chain management, under which various environmental and social criteria have been adopted for selecting suppliers to stringently manage the environmental and social risks associated with them.
  - Sustainable investment, which CE Greentech has committed to, so as to drive environmental projects that are in compliance with the green loan principles of the Asia Pacific Loan Market Association.
3. Stakeholder engagement is an important means of understanding the views and suggestions of different stakeholders in relation to the group’s progress in sustainability. During 2020, the company received 826 replies from stakeholders to its questionnaires. The results of the analysis indicated that “fostering a safe and healthy workplace” was the key issue of most concern to stakeholders.

Against this background, the group has pledged ongoing rigorous implementation of measures for the protection of staff safety, such as the formation of a safety management team comprising 133 dedicated personnel to bolster its strengths in safety management.

4. Material issues are identified for further discussion at the beginning of the sections under:
  - Staff health and safety, such as establishing a safe and healthy workplace.
  - Protection of staff interests, including a strict prohibition against child or forced labour.
  - Supporting staff development; for example, providing training and development opportunities.
  - Persisting in green development, including engaging in scientific research and development.
  - Delivering value in diversity, e.g. delivering economic value for stakeholders.
5. In preparing its Sustainability Report, the company adhered to the principles of stakeholder inclusivity, sustainability context, materiality, completeness, accuracy, balance, clarity, comparability and consistency, reliability, timeliness and quantitative measurement, in addition to complying with the GRI Standards: Comprehensive Option.

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

## ESG SPECIAL MENTION

### China Everbright Water Limited

#### Board of Directors:

##### *EXECUTIVE*

An Xuesong (Chief Executive Officer)

Luo Junling

##### *NON-EXECUTIVE*

Wang Tianyi (Chairman)

##### *INDEPENDENT NON-EXECUTIVE*

Zhai Haitao

Lim Yu Neng Paul

Cheng Fong Yee

Hao Gang



## Findings

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1. China Everbright Water Limited (“CE Water”) has established a sustainable CG structure to ensure that the vision and missions of sustainable development are integrated into its operations.
  - The board is responsible for identifying the key stakeholder groups, considering the sustainability issues as part of the group’s strategic formulation and assuming responsibility for CG, etc.
  - Two board-level committees on strategy and management have been established. The former takes care of the strategic direction of the group, and the implementation and management of the material ESG factors. The latter deals with decision-making and the management of significant ESG topics.
  - Functional departments at the headquarters level oversee the sustainability performance of the group and each of its project companies.
  - Safety and Environment Management Department/ specialists implement the sustainable development plans and monitoring of the sustainability performance of the projects.
2. CE Water understands the importance of stakeholder engagement in forming the group’s sustainability strategy. The company identifies its stakeholder groups as including investors/shareholders, government, customers, business partners/suppliers, employees, villagers/local communities, non-governmental organizations (“NGOs”), investment analysts, and media, and further categorizes them based on their “responsibility”, “influential power”, “proximity”, “dependency”, and “representativeness”. The relevant major communication channels and frequencies are also disclosed.
3. The company commissions an independent sustainability consultant to conduct a materiality assessment on an annual basis, to review the group’s impact in the economic, environmental and social aspects. In 2020, the assessment was conducted in four stages, which are described under the headings, “Identification of Sustainability Issues”, “Collection of Stakeholders’ Opinions, Establishment of Materiality Matrix”, “Verification of Material Issues and Data Analysis”, and “Materiality Review”. The 12 prioritized material issues were then presented in terms of GRI Standards.
4. Climate-related risks and opportunities are analysed in accordance with the TCFD framework and recommendations, including the analysis of major climate-related risks under “Categories”, “Main Risks”, “Potential Financial and/or Operational Impacts”, and “Management Measures”.
5. An email address and a dedicated telephone number are available in local languages to provide employees with an official whistleblowing channel to contact the chairman of the Audit Committee directly. Whistleblowers are also able to contact the CEO directly through the CEO’s email address, which is available on the company’s website. The company affirms that employees can report any misconduct, malpractice and irregularities in relation to the group in strict confidentiality, without any fear of retaliation.

## H-share Companies and Other Mainland Enterprises Category

### ESG SPECIAL MENTION

#### China Resources Power Holdings Company Limited

##### Board of Directors:

##### EXECUTIVE

Tang Yong (President)

Zhang Junzheng (Vice Chairman)

Wang Xiao Bin (Senior Vice President)

##### NON-EXECUTIVE

Wang Chuandong (Chairman)

Chen Ying

Wang Yan

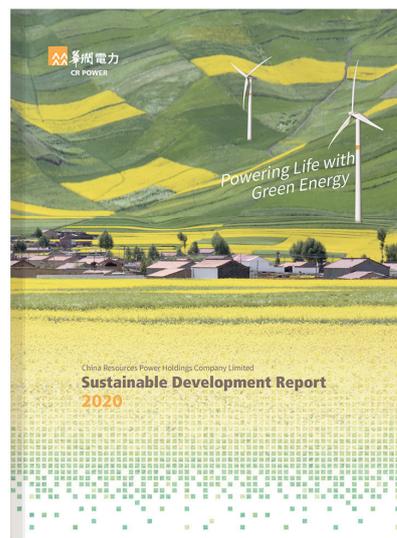
##### INDEPENDENT NON-EXECUTIVE

Andrew Ma Chiu-Cheung

Elsie Leung Oi-sie, *GBM, JP*

Raymond Ch'ien Kuo Fung, *GBS, CBE, JP*

The Hon Jack So Chak Kwong, *GBM, GBS, JP*



## Findings

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1. In its Sustainable Development Report, China Resources Power Holdings Company Limited (“CR Power”) makes reference to the GRI’s Sustainability Reporting Guidelines in addition to the ESG Reporting Guide under the Listing Rules and also to a series Mainland guidelines on CSR reporting for the power industry and state-owned enterprises. A limited assurance report on selected sustainability information prepared by a big four firm is included prominently at the front of the report.
2. The company has formulated Social Responsibility Program Management Standards and created a four-level social responsibility governance structure consisting of the “Leadership Team”, whose roles are taken up by the Sustainability Committee, “Guidance Team”, “Coordination Team”, and “Implementation Team”. Led by the committee, the closed-loop management procedures of sustainable development, covering goal setting, work plans, day-to-day management, result presentation, and progress evaluation have been improved.
3. There is a concise summary, showing the main concerns of the companies’ stakeholders, (including government and regulatory agencies, investors, customers, partners, communities and environment, and media and NGOs), and how these concerns have been addressed. The stakeholder engagement methods are also disclosed.
4. CR Power sets quantitative annual environmental management indicators, breaks down its strategic goals into actionable tasks in day-to-day operations, reviews the annual achievement of the goals, and adjusts the priority and direction of future operations on a timely basis. All the 2020 environmental goals set in 2019 have been achieved.
5. The chairman explains that, given Mainland China’s commitment to achieving carbon neutrality by 2060, the company has been seeking to take opportunities for the energy and power industries brought about by the country’s peak carbon emission and carbon neutrality targets to promote the transition to renewable energy. In 2020, the attributable operational generation capacity mix of CR Power’s renewable energy projects rose to 25.9% from 13.1% in 2015. The company estimates to reach peak carbon emissions in 2025 and aims to increase the proportion of the installed capacity of its renewal energy projects to over 50% by the end of 2025.
6. CR Power values highly the management of water resources, amongst others, through reducing the use of fresh water. The company seeks to use reclaimed water (i.e., treated wastewater) in its operations and applies technologies such as a closed-loop water cooling system and flue gas dehydration to increase the impurity concentration in circulating waters and reduce the loss of fresh water. The company indicates that Jiaozuo Power Plant uses reclaimed water as its main water source. In 2020, the CR Power’s sapplication of the reclaimed water reuse technology resulted in a total consumption of 33.89 million tons of reclaimed water and a decrease of 36.6% in comprehensive water consumption for power generation since 2015.
7. CR Power formulated the Stakeholder EHS Safety Management Rules to control stakeholders’ safety risks arising from their business dealings with the company, arranged regular inspections and reviews, and exercised safety management through the entire process from safety accountability and objective management to supervision and evaluations.

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

### ESG AWARD

#### Drainage Services Department

##### Senior Management:

Director of Drainage Services

- Kelvin Lo Kwok-wah

Deputy Director of Drainage Services

- Wilson Pang Wai-shing

Assistant Director/Projects and Development

- Ken Wong Sui-kan

Assistant Director/Electrical and Mechanical

- Eddie Pak Kan-ming

Assistant Director/Sewage Services

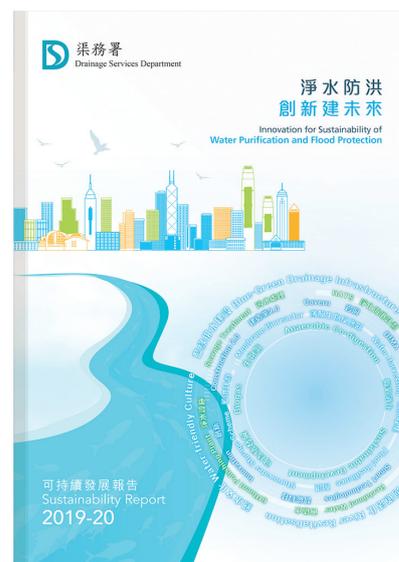
- Walter Leung Wing-yuen

Assistant Director/Operations and Maintenance

- Ho Yiu-kwong

Departmental Secretary

- Chris Li Chi-kong



## Findings

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1. Drainage Services Department (“DSD”) has produced an impressive Sustainability Report with a good use of diagrams, charts and photos, etc. to support the explanation of the department’s responsibilities, functions and governance. The report is prepared in accordance with GRI Standards: Core Option and verified by an independent professional consultant.
2. DSD has established a holistic and mature sustainability management structure, covering a wide range of sustainability aspects comprehensively. Three corresponding committees and two working groups have also been established:
  - Green Management Committee, responsible for reviewing the environmental management policy, formulating environmental work objectives and targets, and monitoring the effectiveness of environmental programmes and initiatives.
  - Safety Steering Group, responsible for overseeing and promoting occupational safety and health across the DSD’s undertakings, setting safety standards and guidelines, formulating improvement procedures and measures to prevent work-related accidents, and reviewing their implementation and effectiveness.
  - Research and Development Steering Committee, responsible for conducting research in support of DSD’s development plans.
3. The department has put forward different measures to address climate change, for example:
  - Harnessing renewable energy  
With more renewable energy projects being completed, additional energy equivalent to about 6.9 million kilowatt-hours of electricity can be generated per annum. Currently, renewable energy installations in DSD’s plants generate about 28 million kilowatt-hours of electricity a year, constituting around 9% of DSD’s annual energy demand.
  - Nourishing a sustainable culture  
The Green Champions group has been formed by a group of DSD’s employees to advise the Green Management Committee, so as to promote their colleagues’ green awareness, encourage their participation in environmental protection and enhance the sustainable development of DSD.
4. DSD clearly attaches importance to maintaining engagement and long-term partnerships with stakeholders, listening to their opinions with an open mind. For example, in the year under review, the department arranged two meetings to exchange views with local green groups, including Conservancy Association, Designing Hong Kong, Green Power, the Hong Kong Bird Watching Society, Kadoorie Farm and Botanic Garden and the World Wide Fund for Nature Hong Kong. The report indicates that discussions were held over wide-ranging issues, such as enhancing the ecological value of rivers, preserving habitats in existing rivers, revitalizing water bodies, promoting biodiversity, fostering a water-friendly culture and addressing environmental issues related to operation and maintenance work.
5. DSD has published an appendix to summarize the objectives and its overall performance of the department’s environmental, social and routine services during the reporting year. For instance, the department achieved its aim to build 2,000 square metres of green roofing and 150 square metres of vertical greening.

# Commendation on Website Corporate Governance Information

## Tsim Sha Tsui Properties Limited

### Board of Directors:

#### EXECUTIVE

Robert Ng Chee Siong (Chairman)

Daryl Ng Win Kong, JP (Deputy Chairman)

#### NON-EXECUTIVE

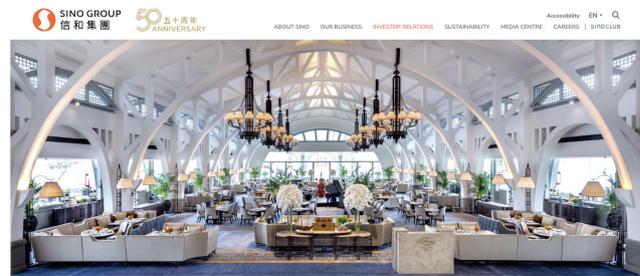
The Hon Ronald Joseph Arculli, GBM, CVO, GBS, OBE, JP

#### INDEPENDENT NON-EXECUTIVE

Allan Zeman, GBM, GBS, JP

Adrian David Li Man-kiu, JP

Steven Ong Kay Eng



### TSIM SHA TSUI PROPERTIES LIMITED

#### LATEST REPORTS & RESULTS

[www.sino.com/en/investor-relations/tsim-sha-tsui-properties-limited/](http://www.sino.com/en/investor-relations/tsim-sha-tsui-properties-limited/)

## Findings

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1. TST Properties Limited (“TST Properties”)’s website information is contained within the Sino Group’s website. The layout of the relevant area is in generally well-structured and user-friendly. The design of the sections and pages on the website is simple and accessible.
2. eBook of TST Properties’ Sustainability Report is available on the website. It is noted that sustainability is integral to its business and is integrated into all aspects of its operations under the company’s vision of “Creating Better Lifescapes”, which is supported by six pillars including “Green”, “Wellness”, “Design”, “Innovation”, “Heritage & Culture and “Community”. Each of the pillars show specific strategies and related goals and initiatives, along with their performance during the year.
3. The coverage on the company’s risk management on the website is broader than that of many of other local listed companies. For example, it is noted that a Business Ethics Committee has been established as a whistle-blowing channel for staff and other relevant parties to report cases of misconduct. Every reported case will be handled in confidence and followed through in accordance with the policy and procedures for notification of unethical conduct.
4. The Audit Committee, which consists of three INEDs, monitors the integrity of the company’s financial statements, annual report and accounts and half-year reports, and reviews any significant financial reporting judgments contained in them. The committee reviews, makes recommendations and reports to the board on findings relating to the financial statements, reports and accounts, risk management and internal control systems and compliance issues.
5. There is a web accessibility function to meet the needs of different readers. Various enhanced features include “screen reader”, “desaturate”, “smart contrast”, “highlight links”, “bigger text”, “text spacing”, “pause animations” and “legible fonts”.
6. The judges suggested that having an independent website could further enhance accessibility and TST Properties’ own identity.

# 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 2021 Best CG and ESG Awards.

## Judging Panel

Chairman:	Raymond Cheng, president, HKICPA
Members:	Chris Chan, Ivey Business School
	Eva Chan, Hong Kong Investor Relations Association
	Louis Cheng, The Hang Seng University of Hong Kong
	York Chow, AIA International Limited
	Dennis Fullgrabe, course director of Financial Controllershship Programme, HKICPA
	Yijin Guo/ Eric Nietsch, Manulife Investment Management
	Ruth Kung, Hong Kong Securities and Investment Institute
	Zoe Lau/ Johnson Kong, BlackRock
	Peony Lee, Hong Kong Securities Association
	Bruce Li, The Hong Kong Polytechnic University
	Raymond Ng, The Treasury
	Felix Siu, Mandatory Provident Fund Schemes Authority
	Mervyn Tang, Schroder Investment Management (Hong Kong) Limited
	Christopher To, The Hong Kong Institute of Directors
	Angela Tsang, The Hong Kong Institute of Chartered Secretaries
	Kitty Tsui, Companies Registry
	Rocky Tung, Financial Services Development Council
	Kim Man Wong, HK Electric Investments
	William Wong, Hong Kong Exchanges and Clearing Limited
	Rex Yeung, The Hong Kong Independent Non-Executive Director Association
	Wendy Yung, Practising Governance
Secretary:	Peter Tisman, Director, advocacy and practice development, HKICPA
Assistant Secretaries:	Wallace Wong, Deputy director, advocacy and practice development, HKICPA
	Rachel Cheung, Officer, advocacy and practice development, HKICPA (up to 30 July 2021)

## Review Panel

Chairman:	Patrick Rozario*, Moore Stephens CPA Ltd.
Members:	<b>Quality Review</b>
	Michael Au, Deloitte Touche Tohmatsu
	Oswald Au*, Riskory Consultancy Limited
	Derek Broadley, Deloitte Touche Tohmatsu
	Jeffrey Chan, Grant Thornton Hong Kong Ltd.
	Stephen Chan, Trinity-C Management Limited
	Ricky Cheng*, BDO

Cyrus Cheung\*, PricewaterhouseCoopers  
Albert Chui, Wong Brothers CPA Limited  
Ester Ip\*, Crowe (HK) CPA Limited  
Vency Ip, HLB Hodgson Impey Cheng Ltd.  
Kenneth Lau, Crowe (HK) CPA Limited  
Charles Lo, Charles Lo & Co.  
Horace Ma, S. Culture Holdings (BVI) Limited  
Steve Ng\*, CityLinkers Group  
Kevin Sze\*, GME Group Holdings Limited  
Loren Tang\*, KLC Kennic Lui & Co. Ltd.  
Tommy Tsang, Ernst & Young  
Brenda Tung\*, RSM Hong Kong  
Thomas Wong, Nexia Charles Mar Fan Ltd.  
James Ye\*, Ace Sustainability & Risk Advisors Ltd.  
Adele Yim\*, Mazars Risk Advisory Services Limited

*\* Also conducted sustainability and social responsibility reviews*

#### Compliance Review

Mimosa Chan, Ernst & Young  
Brian Chu, HLB Hodgson Impey Cheng Ltd.  
Ava Ho, ZHONGHUI ANDA CPA Ltd.  
Gabriel Kwan, Modern Dental Group Limited  
Roy Lo, ShineWing (HK) CPA Ltd.

#### Sustainability and Social Responsibility Review

Adrian Chan, RS Group Asia  
Alice Chong, Sterling Private Management  
Sabrina Lam, AVISTA Group  
Simon Lee  
Carlos Lo, The Chinese University of Hong Kong  
Artie Ng, The Hong Kong Management Association  
Eddie Ng, KPMG  
Harris Ng, Sino Trump International Ltd.  
Dickson Pak, Green Council  
Vincent Pang, AVISTA Group  
Hendrik Rosenthal, CLP Holdings Limited  
Serene Seah-Tan, KPMG  
Alec Tong, Jupiter Capital Limited  
Ellis Wong, Deloitte Touche Tohmatsu

Secretary: Peter Tisman, Director, advocacy and practice development, HKICPA

Assistant Secretaries: Wallace Wong, Deputy director, advocacy and practice development, HKICPA

Rachel Cheung, Officer, advocacy and practice development, HKICPA (up to 30 July 2021)

## Supporting Organizations

The Institute would like to thank the following supporting organizations of the 2021 Best CG and ESG Awards (in alphabetical order):

BDO	Companies Registry
Charles Lo & Co.	Financial Services Development Council
Deloitte Touche Tohmatsu	Financial Services and the Treasury Bureau
Ernst & Young	Hong Kong Exchanges and Clearing Ltd.
Grant Thornton Hong Kong Ltd.	Hong Kong Investment Funds Association
HLB Hodgson Impey Cheng Ltd.	Hong Kong Investor Relations Association
KLC Kennic Lui & Co. Ltd.	Hong Kong Monetary Authority
KPMG	Hong Kong Securities Association
Manulife Investment Management	Hong Kong Securities and Investment Institute
Mazars CPA Ltd.	Mandatory Provident Fund Schemes Authority
Moore Stephens CPA Ltd.	Securities and Futures Commission
Nexia Charles Mar Fan Ltd.	The Hong Kong Institute of Chartered Secretaries
Practising Governance	The Hong Kong Institute of Directors
PricewaterhouseCoopers	The Hong Kong Independent Non-Executive Director Association
ShineWing	The Treasury
Wong Brothers CPA Ltd.	
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