



ESG Reporting Study for Hong Kong Listed Companies

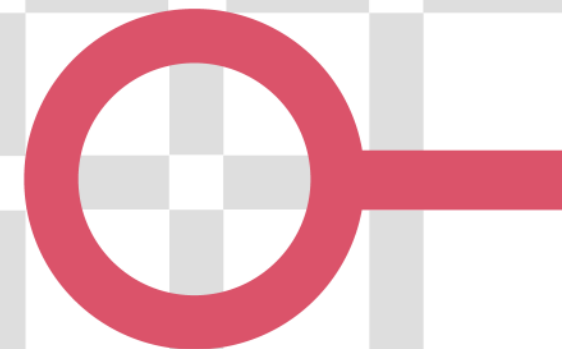
2021



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Background and methodology



Background

In December 2019, Hong Kong Exchanges and Clearing Limited (“HKEX”) issued the latest Environmental, Social and Governance Reporting Guide (the “ESG Reporting Guide [2019 Version]” or the “New Rules”), introducing new “mandatory disclosure” requirements and making the disclosure obligation for social key performance indicators (KPIs) a “comply or explain” provision. Such amendments would take effect for financial years commencing on or after 1 July 2020.

In this context, PwC conducted a study on ESG reports released by Hong Kong listed companies in 2020 to understand the compliance landscape and gaps in adoption of the ESG Reporting Guide (2019 Version). Based on the analysis of study results, we highlighted suggestions on how to apply the New Rules, aiming to facilitate listed companies addressing ESG reporting challenges effectively.

This is the fifth consecutive year that PwC conducted the study on ESG reporting of Hong Kong listed companies. Combined with data obtained from previous years, we generate insights into the status and trends of ESG reporting, identify the best reporting practices and provide references for listed companies.



Methodology

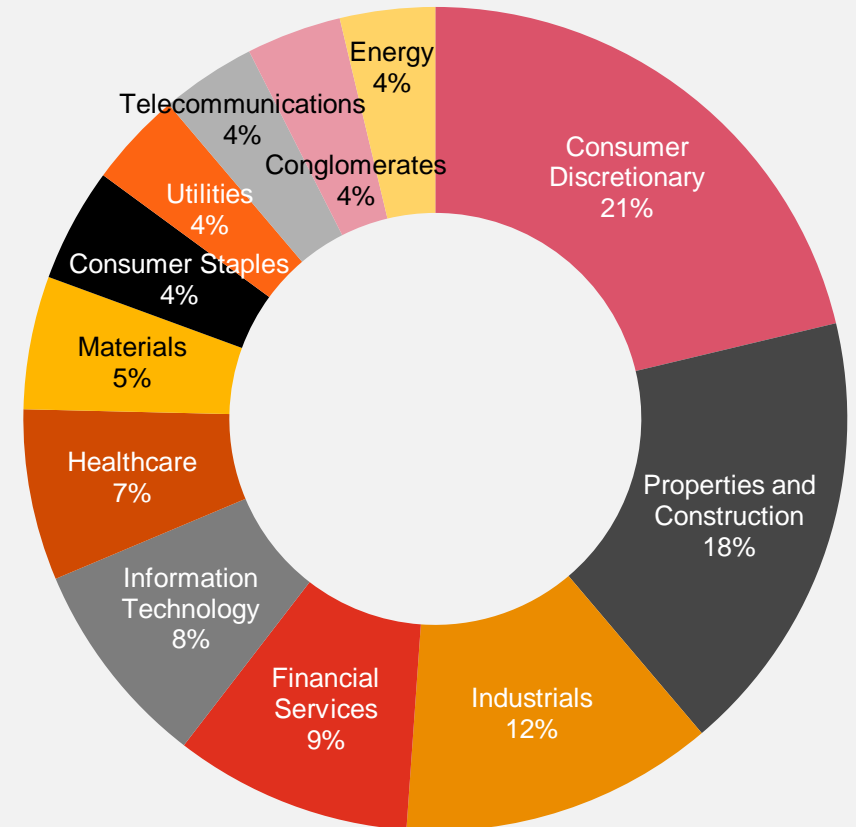
In order to understand ESG reporting of Hong Kong listed companies in different industries, PwC categorised Hong Kong listed companies which released their ESG reports before 10 July 2021 into 12 primary industries as defined by the Hang Seng Industry Classification System, and randomly selected a number of samples from each industry for an in-depth study of their ESG reporting.

We studied and analysed the following aspects of the 268 sampled Hong Kong listed companies:

- Overall disclosure status of ESG reporting
- Mandatory disclosure of ESG information
- General disclosures of environmental information and KPIs
- General disclosures of social information and KPIs

We established a database for this analysis, and conducted an in-depth analysis based on the ESG Reporting Guide (2019 Version), How to Prepare an ESG Report issued by the HKEX in March 2020 and other documents. The analysis revealed the current status of ESG reporting by Hong Kong listed companies in 2020 and discussed the difficulties and challenges that Hong Kong listed companies may face in response to the new compliance requirements in order to help companies to continuously improve their ESG management and reporting.

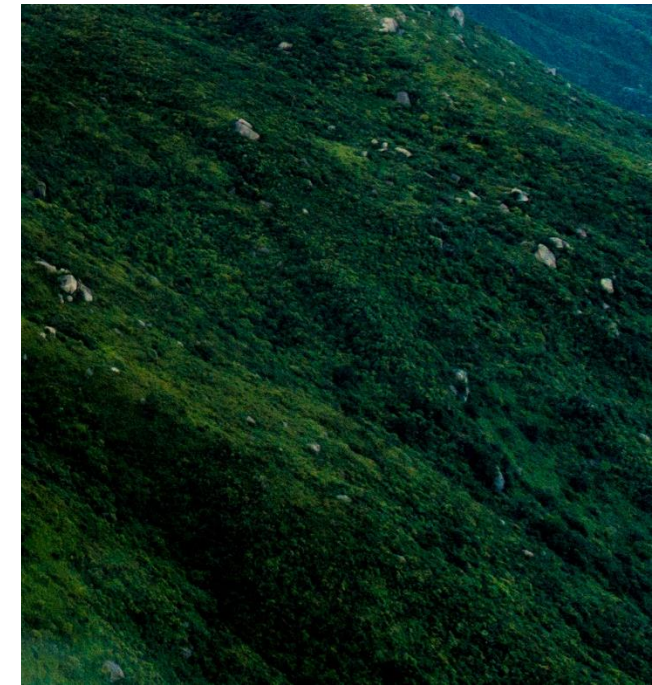
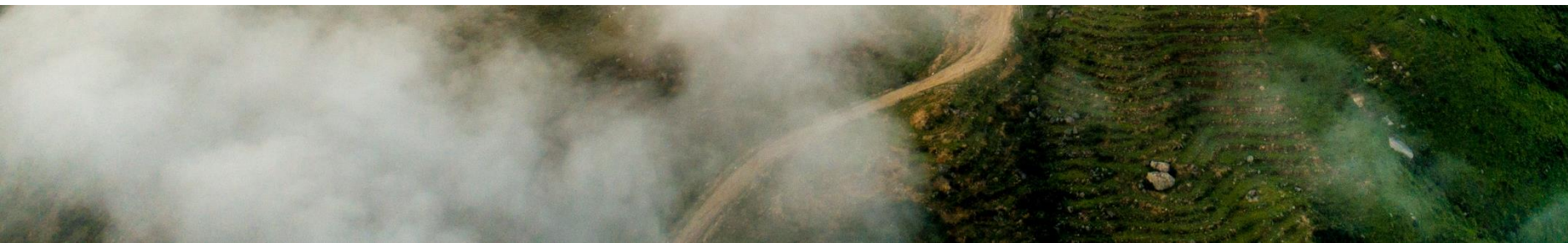
Limitations of the study: Due to the random selection of samples in the analyses, there may be differences between the selected samples and the overall status. This may lead to discrepancies in the findings, and thus may not reflect the actual situation of individual companies.





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Overall disclosure status



A vertical garden wall with various green plants against a concrete wall. The plants include several types of bromeliads with long, pointed leaves, and many smaller, leafy plants with different leaf shapes and colors, ranging from bright green to dark green. The wall is set against a light-colored concrete wall, and the floor is also made of concrete.

Based on the sample selected, we found that Hong Kong listed companies are increasingly aware of the importance of ESG over the years. There is a significant improvement in the quality of the reports with more comprehensive report structure and more integrated content.

In addition to meeting the basic compliance requirements, Hong Kong listed companies have also taken the initiative to keep in line with international best practices. They are enhancing the quality and standard of ESG reporting by making references to the latest reporting standards, such as the Task Force on Climate-Related Financial Disclosures (TCFD) framework and the Sustainability Accounting Standards Board (SASB) standards, and responding to the United Nations Sustainable Development Goals (UN SDGs).

Disclosure formats

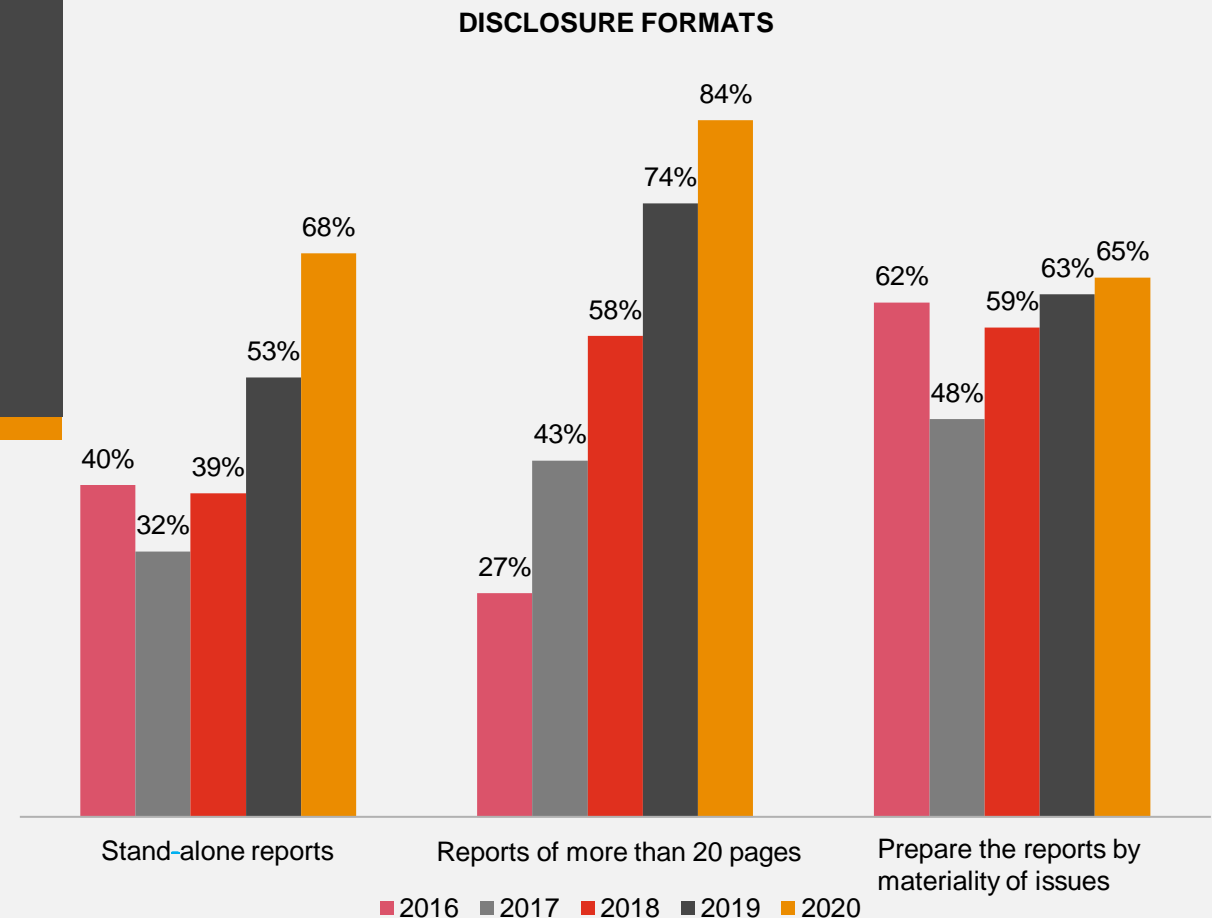
Data analysis and interpretation:

Compared to previous years, ESG reports in 2020 presented the following changes:

- There was a significant increase in the proportion of stand-alone reports, with 68% of the samples choosing to disclose ESG information separately.
- Only 16% of reports were within 20 pages, of which over 30% were from consumer discretionary industry; over 16% of reports were longer than 100 pages, of which nearly 1/3 were from property and construction industry.
- Nearly 2/3 of the listed companies determined the materiality of ESG issues based on their own ESG features.

Under the disclosure requirements, we noticed:

- 2020 is the fifth year for Hong Kong listed companies to disclose ESG information as required by HKEX. The overall disclosure quality has been steadily improving over years.
- A growing number of listed companies are inclined to make ESG disclosures based on the industry and their own features to demonstrate ESG strategies, objectives, activities and annual performance to stakeholders.
- Longer reports and stand-alone reports are favoured by more and more listed companies.



Reporting standards

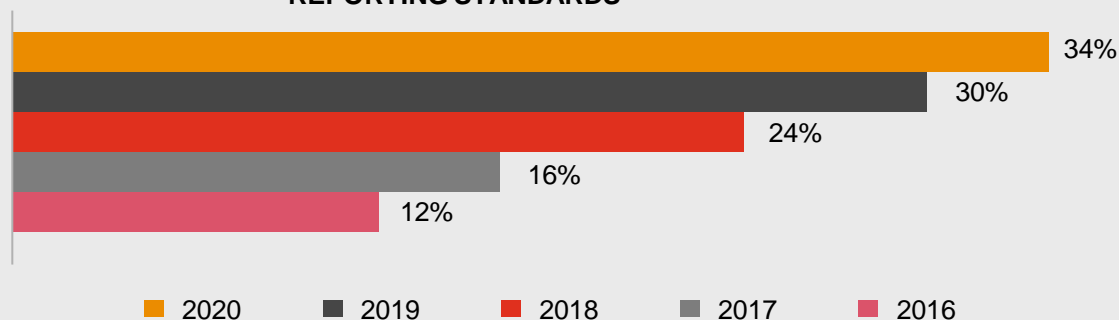
Data analysis and interpretation:

- The proportion (of listed companies following reporting standards in addition to the HKEX ESG Reporting Guide (Appendix 27) has been increasing over the years. 34% of the 2020 ESG reports sampled referred to other reporting standards, among which the adoption rate of the Global Reporting Initiative (“GRI”) standards reached 90%.
- Noticeably, the TCFD framework and SASB standards have been integrated into ESG reports by some listed companies, accounting for 9% and 6% of those applying other reporting standards respectively.
- The top three industries seeing adoption of other reporting standards were utilities (80%), energy (80%) and financial services (68%).

In the 2020 ESG reports sampled, the reporting standards applied in the reports mainly include:

- Global Reporting Initiative — Sustainability Reporting Standards (GRI Standards)
- Chinese Academy of Social Sciences — Chinese Corporate Social Responsibility Report Preparation Guide (CASS-CSR4.0)
- Shanghai Stock Exchange (SSE) — Guidelines for Environmental Information Disclosure of Listed Companies
- Shenzhen Stock Exchange (SZSE) — Guidelines of Shenzhen Stock Exchange for the Regulated Operation of Listed Companies
- Guidance on Social Responsibility (GB/T 36000-2015), national standards on social responsibility
- SDGs — SDG Compass
- The Ten Principles of the UN Global Compact
- TCFD Framework
- SASB Standards

PROPORTION OF REPORTS APPLYING OTHER REPORTING STANDARDS



Under the disclosure requirements, we noticed:

- Listed companies tend to have more diversified choices of reporting standards.
- In addition to the requirements of the ESG Reporting Guide, an increasing number of Hong Kong listed companies refer to other relevant reporting standards when preparing ESG reports according to the characteristics of their business, industry features and the requirements to meet the demands of different stakeholders.

Report assurance



The issuer may seek independent assurance to strengthen the credibility of the ESG information disclosed.

— HKEX ESG Reporting Guide (2019 Version)

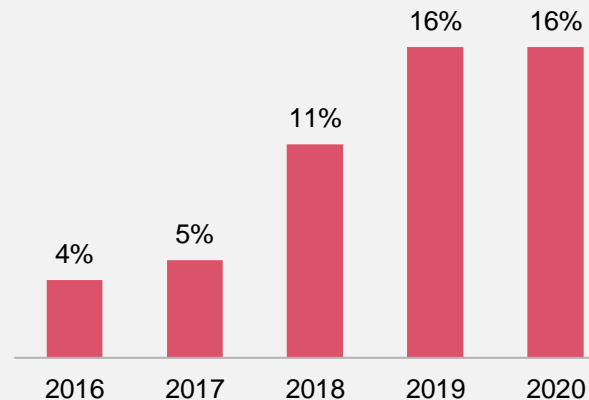
Data analysis and interpretation:

- 16% of the sampled ESG reports in 2020 were assured by third party organisations, the same as that in 2019.
- Banking sector ranked first among all sectors with an assurance rate of over 50%.
- Among assured reports in 2020, 55% of listed companies selected the KPIs in the reports as the scope of assurance, while others chose the entire report.

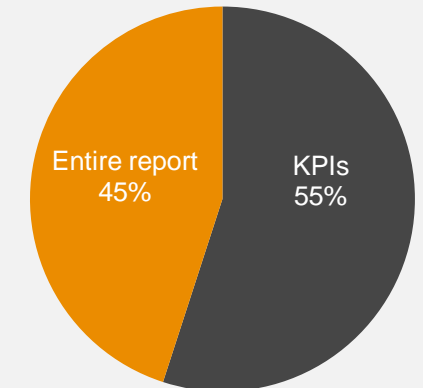
Under the disclosure requirements, we noticed:

- In order to enhance the credibility of ESG information disclosed, some listed companies actively sought third party assurance on these information.
- As regulators increasingly emphasise the importance of ESG disclosure, we believe that the requirements for the credibility and verifiability of disclosed ESG information will be stricter in the future. To prepare for this, listed companies should continue to enhance the quality control of internal ESG data and information, clarify the scope of disclosure and quantification method of each ESG indicator. They could also use ESG data information system to ensure the integrity and accuracy of ESG data.
- In addition, based on a study of the rating methodologies of institutions such as MSCI, S&P and CDP, it is strongly recommended that listed companies seek independent third party assurance on ESG KPIs such as greenhouse gas emission, energy consumption, water consumption and work injury. This will effectively improve listed companies' ESG rating.

PROPORTION OF REPORTS ASSURED



SCOPE OF ASSURANCE

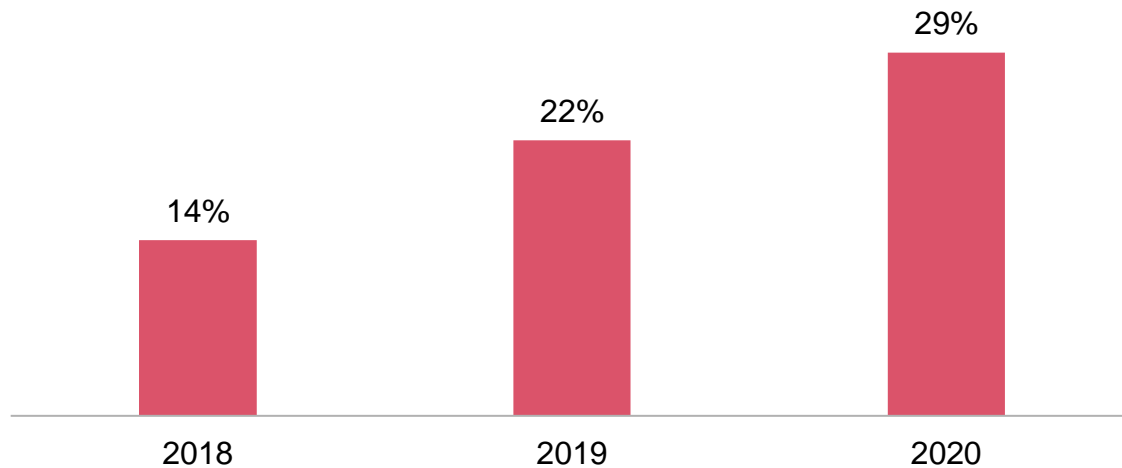


Response to UN SDGs

Data analysis and interpretation

More and more ESG reports have referred to UN SDGs over the past years. As of 2020, nearly 30% of listed companies sampled have responded to SDGs in their ESG reports, among which around 30% have identified key SDGs and have set their targets and KPIs. This indicates that Hong Kong listed companies have attached more importance to UN SDGs.

PROPORTION OF ESG REPORTS RESPONDING TO UN SDGS

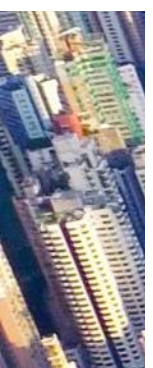


SUSTAINABLE DEVELOPMENT GOALS



Under the disclosure requirements, we noticed:

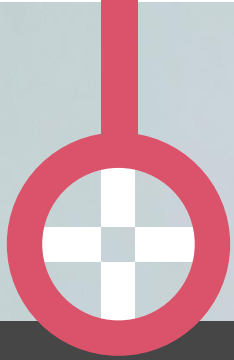
An increasing number of listed companies have applied UN SDGs as the cornerstone of their ESG work. Beyond simple, static reference to UN SDGs in ESG reports, companies have also identified key UN SDGs that are mapped to their businesses and set related targets. Further, the 17 goals were integrated into actual ESG practice to set up, guide, communicate and report companies' ESG strategies, targets and activities, thus forming a long-term mechanism for ESG transformation.



3

2020 ESG requirements for companies listed on HKEX





3.1 Governance structure, reporting principles and reporting boundary

Under the ESG Reporting Guide (2019 Version), listed companies are required to follow mandatory disclosure requirements and provide information on the governance structure, reporting principles and reporting boundary for the periods covered by the ESG reports.

The study shows that Hong Kong listed companies performed well in the disclosure of reporting boundary and reporting principles, but there is still much room for improvement in the disclosure of governance structure.



Governance structure

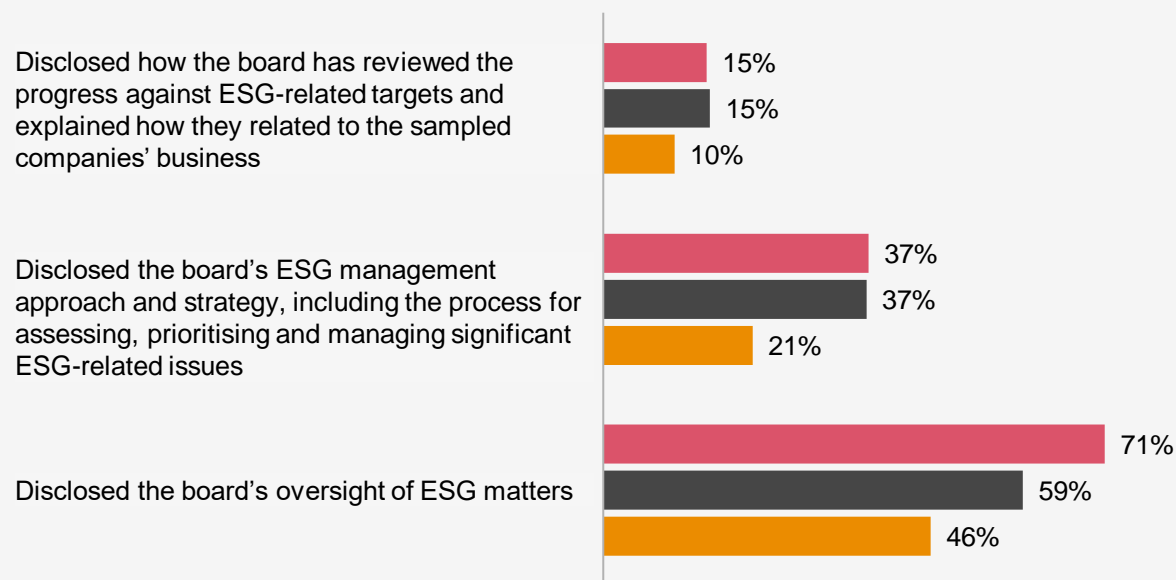


Ultimately, the board of a listed company has overall responsibility for the company's ESG strategy, reporting and determining the approach management takes in this area. To discharge its duty to oversee and ensure a business is sustainable and resilient, the board needs to thoroughly understand the company's environmental and social impacts, and embed ESG factors into the business. As a result, the board must be equipped with the right skills and competencies to make decisions on corporate governance and ESG, ensuring all members have a solid understanding of the related requirements.

— Making Inroads into Good Corporate Governance and ESG Management

GOVERNANCE STRUCTURE

■ 2020 ■ 2019 ■ 2018



Data analysis and interpretation:

- Board involvement in ESG oversight has increased over the years, with over 70% of the listed companies sampled disclosing board oversight on ESG matters in their ESG reports.
- The review of progress towards achieving ESG targets remained poor, with only 15% of listed companies disclosing the board's monitoring of ESG targets in their ESG reports. This is similar to the level in 2019.
- Utilities industry ranked first on board monitoring of ESG targets, achieving a proportion of 60%. Conglomerates and energy industries tied for second place with 40% of sampled companies disclosing such information. Healthcare industry came in last among the 12 primary industries with no information on board monitoring of ESG targets.

Considerations for listed companies under the disclosure requirements:

- Develop an organisational structure for ESG practice at all levels, including board of directors (ESG Committee), senior management and ESG working group. Clarify the roles and responsibilities at each level, and improve the reporting mechanism for ESG management and ESG reporting.
- Identify ESG issues that have material impact on the company through materiality assessment, create an ESG strategy with the characteristics of the company, set strategic ESG management targets and invest corresponding resources to support the achievement of these targets.

Organisation structure

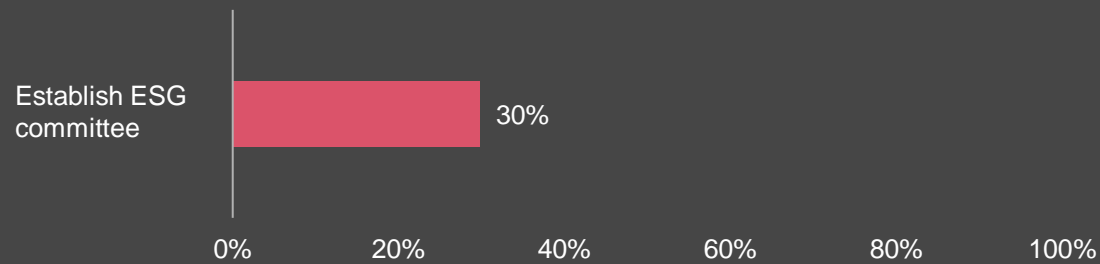


Commitment at the board level has to be translated to the management and then to the operational teams of the company. The board, as well as a sustainability or ESG committee, also provides strategic direction on material ESG issues, and overseeing their implementation at the operational level. Investor relations professionals should also be involved in this process, just as they would be for other board-level discussions such as risks, audit and business strategy.

— Making Inroads into Good Corporate Governance and ESG Management

Data analysis and interpretation :

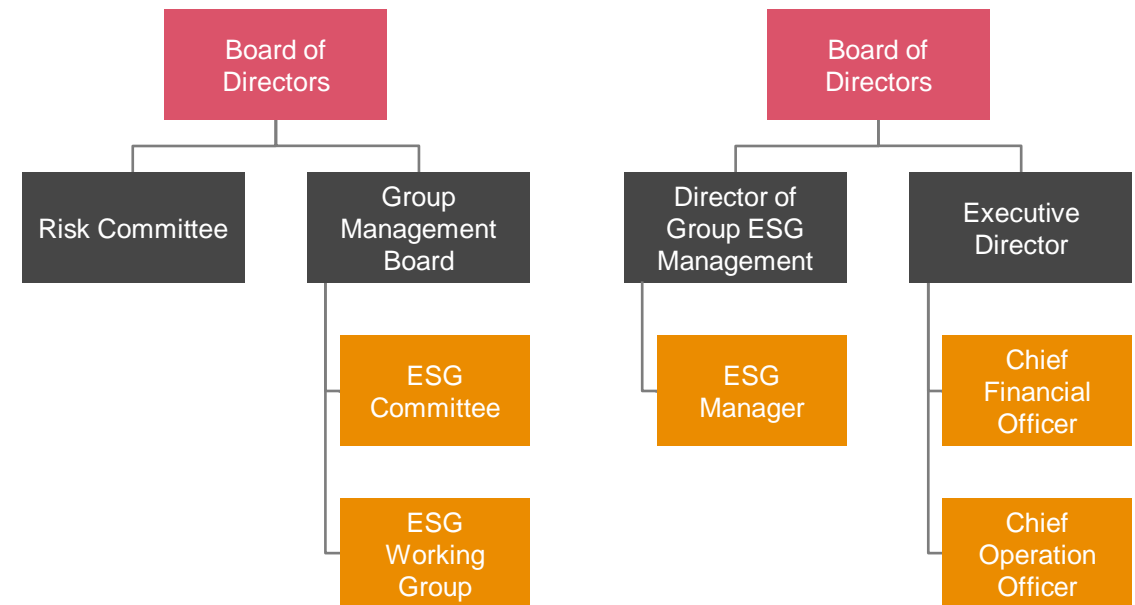
The study shows that 30% of the listed companies sampled have formed an independent ESG committee to allow the board to oversee ESG issues.



Considerations for listed companies under the disclosure requirements:

In order to keep ESG risks under control and achieve ESG targets, an ESG committee equipped with relevant expertise and experience should be established based on the company's own ESG risks.

The board of directors of a listed company can establish an ESG governance structure suitable to its own business. Two typical corporate governance structures that incorporate ESG considerations are as follows:



- Making Inroads into Good Corporate Governance and ESG Management

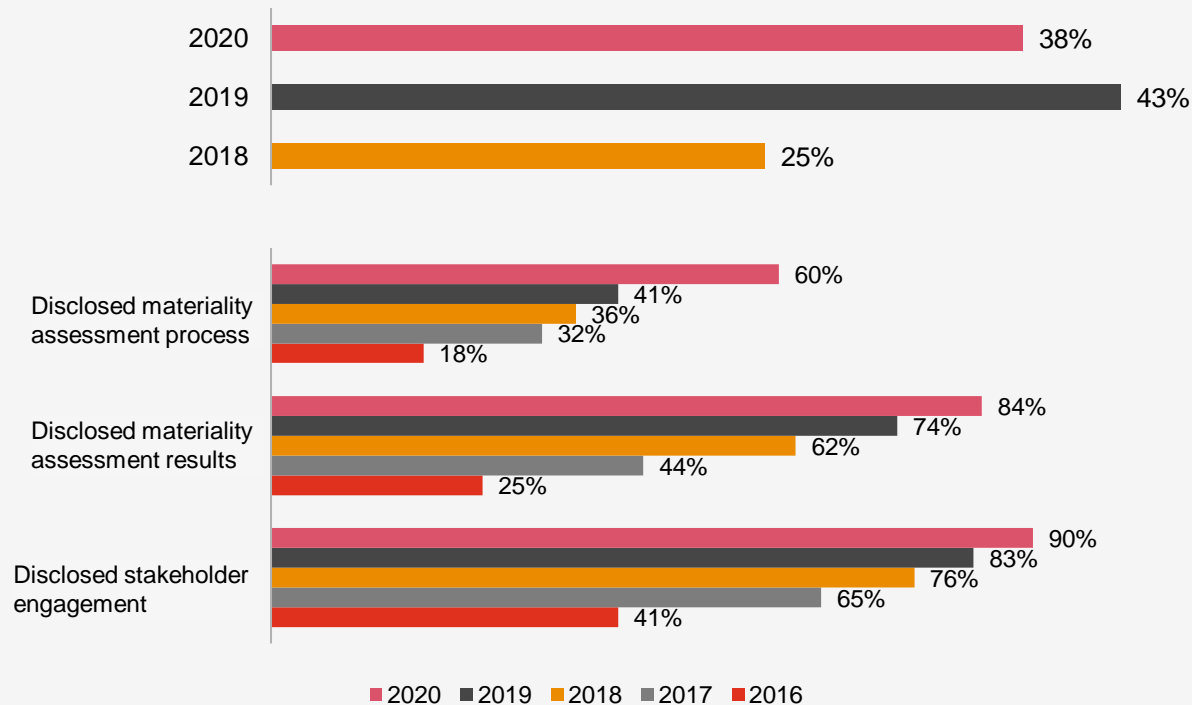
Reporting principles



Not all ESG topics are required to be discussed or addressed by the board. Instead, it should focus on the topics that it considers to be sufficiently important to the listed company, its investors and other stakeholders, and ESG matters that will have the biggest impact. This is known as materiality, the reporting principle for determining what ESG issues a board addresses and the key to meaningful and concise ESG reporting.

— Making Inroads into Good Corporate Governance and ESG Management

COMPLIANCE WITH DISCLOSED PRINCIPLES FOR ESG REPORTS



Data analysis and interpretation:

- In 2020, the proportion of sampled ESG reports that disclosed the reporting principles has decreased compared to 2019. Hong Kong listed companies should follow reporting principles when conducting ESG work and preparing ESG reports, and explain in detail how the reporting principles are applied.
- When comparing the study results in the last five years, it is evident that the ESG reports of listed companies in 2020 have achieved a relatively satisfactory level of disclosure on stakeholder engagement and materiality assessment results, with only less than 10% of sampled listed companies failing to meet the relevant disclosure requirements in terms of stakeholder management. Although disclosure of the detailed materiality assessment process has increased substantially in 2020, there were still 40% of sampled listed companies that have not made relevant disclosures.

Considerations for listed companies under the disclosure requirements:

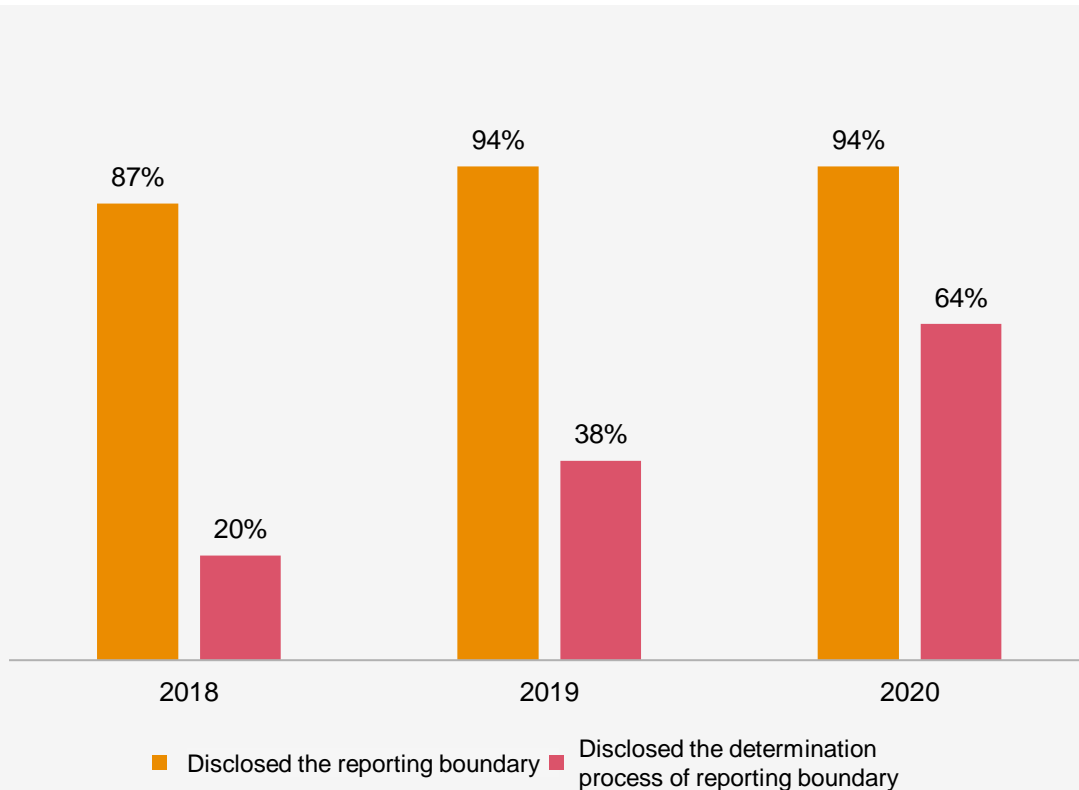
- The reporting principles should be followed throughout the ESG management and reporting cycle. Listed companies should identify “material” ESG issues through materiality assessment and stakeholder engagement to enable targeted management and disclosure activities.
- Management thinker Peter Drucker once said that “you can’t manage what you can’t measure”. Therefore, in the daily ESG information and data collection, listed companies should also uphold the “quantitative” principle to accurately monitor, record and analyse ESG data, and comply with the “consistency” principle to keep data consistent and comparable.

Reporting boundary



There are different ways of determining what to include in the ESG report. Some issuers may prefer following the scope used in their annual reports. Some may apply a financial threshold or risk level. In some cases, issuers may adopt different scopes for different Aspects/provisions.

— How to Prepare an ESG Report

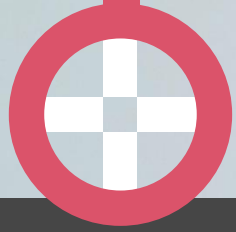


Data analysis and interpretation:

- The share of sampled ESG reports that disclosed the reporting boundary remained high (94%) in 2020.
- We also observed a sharp increase in the proportion of ESG reports disclosing the reporting boundary determination process in 2020, with the number reaching 64%. This indicates that Hong Kong listed companies have paid greater attention to the mandatory disclosure.

Considerations for listed companies under the disclosure requirements:

- Develop a strategy to determine the scope of ESG reporting based on the stakeholders' concerns and the company's ESG risk distribution and risk level. Take into account the range of factors with a material impact on the scope of ESG reporting.
- Make clear explanation in the report in case there are different scopes for different ESG aspects.



3.2 Environmental Aspect



Management and disclosure of environmental information

- The ESG Reporting Guide (2019 Version) introduced one new aspect (climate change) and four related KPIs, namely emissions, waste reduction, energy use and water use. This brought new requirements to environmental protection against Hong Kong listed companies. The revision took effect on 1 July 2020.
- We see an increasing momentum of carbon neutrality globally, and capital market becomes to demand for an increasing level of climate-related disclosure. With China's pledge to achieve peak carbon emissions by 2030 and carbon neutrality by 2060, companies in China will be faced with more challenges in their journey of low carbon transformation.
- By analysing the ESG report samples in 2020, we found that Hong Kong listed companies have generally attached great importance to the revision of the environmental regulations. Although the overall KPI disclosure level has improved compared to previous years, disclosure levels for certain KPIs are still low.



The environmental aspect of ESG mainly examines the disclosure of information on emissions, resource use, environment and natural resources, and climate change. This reflects the enterprises' ability to manage and respond to environmental risks. They consider such ability as an advantage.

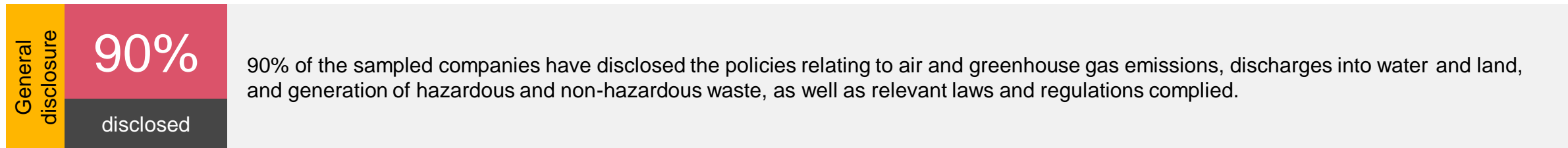
In the disclosure process, the challenges faced by enterprises are as follows:

- No environmental protection targets have been set
- Not ready to respond to climate change issues

Management and disclosure of environmental information

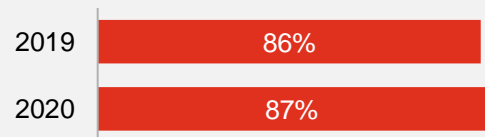
A1: Emissions

The disclosure of policies is relatively sufficient while the disclosure of environmental data can be improved

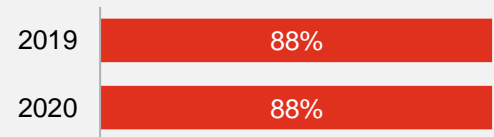


Disclosure of KPIs

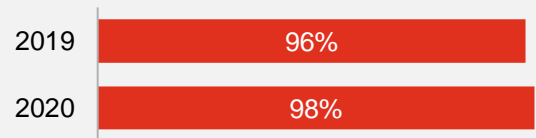
A1.1 The types of emissions and respective emissions data.



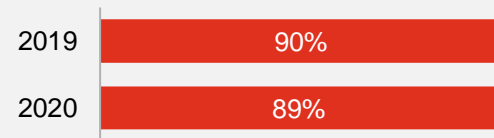
A1.3 Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).



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



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



Data analysis and interpretation:

- The disclosure of emissions data has always been a performance indicator requiring “comply or explain”. Overall, the level of disclosure has been stable despite the lack of certain data points and explanation of the reason behind.
- In terms of greenhouse gas emissions, 98% of sampled issuers have disclosed A1.2 greenhouse gas data. Among them, 63.06% of sampled issuers disclosed the data of Scope 1 and Scope 2, and 22.39% have gradually disclosed the data of Scope 3 on the basis of Scope 1 and Scope 2. This helped to promote the collection of greenhouse gas statistics from the upstream to the downstream of value chains.
- The disclosure of absolute amount of waste produced outperforms the disclosure of its intensity. 88% and 89% of the sampled issuers disclosed A1.3 hazardous waste and A1.4 non-hazardous waste respectively, while only 47.39% and 56.72% disclosed hazardous waste intensity and non-hazardous waste intensity respectively.

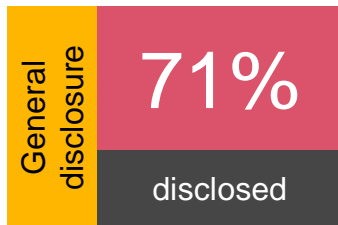
Considerations for listed companies under the disclosure requirements:

- Global economies are actively making commitments to achieve net zero emissions and are drafting corresponding policies and regulations. China’s carbon neutral commitment and policies on addressing climate change are also on top of the agenda of policy makers. We anticipate to see more regulatory developments on climate change in the near future, which may lead to more stringent requirements on data availability and disclosure quality. Therefore, enterprises should strengthen their own carbon management and introduce carbon asset management platforms as appropriate to regulate and manage carbon emission data, carbon asset, and carbon trading efficiently. In this way, the risks of carbon assets can be controlled in a timely manner.
- The complete disclosure of environmental data is the basis for enterprises to realise their environmental protection responsibilities.
- Companies should note that even if certain quantitative environmental indicators cannot be disclosed due to the nature of the industry, they should be explained in accordance with the principle of “comply or explain”. Companies can determine the importance of KPIs through materiality assessment. Explanations should be provided in the report for KPIs identified as unimportant or irrelevant.

Management and disclosure of environmental information

A2: Use of resources

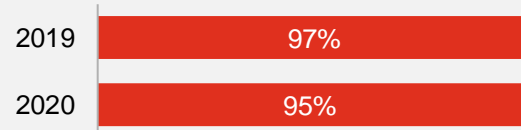
The disclosure of policies has decreased while the disclosure of KPIs has gradually increased



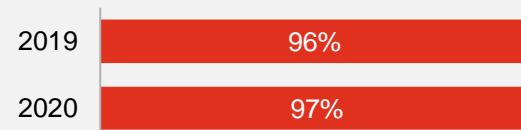
71% of the samples have disclosed policies relating to the efficient use of resources, including energy, water and other raw materials.

Disclosure of KPIs

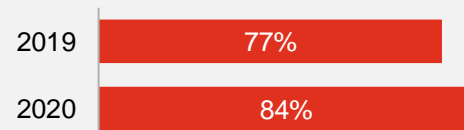
A2.1 Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in '000s) and intensity (e.g. per unit of production volume, per facility).



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



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



Data analysis and interpretation:

- A2.1 direct and indirect energy data, A2.2 water consumption data and A2.5 packaging material data have always been the key performance data subject to the “comply or explain” principle of HKEX. The disclosure of A2.1 and A2.2 is satisfactory. Although the disclosure of A2.5 shows an upward trend, it still does not fully meet the requirements of HKEX.
- With respect to the disclosure of energy and water consumption data, 95% and 97% of the sampled issuers disclosed A2.1 energy consumption data and A2.2 water consumption data respectively. Among them, 95% and 94% of listed companies sampled disclosed total energy consumption and total water consumption data respectively, 80.6% disclosed energy consumption intensity and 80.6% disclosed water consumption intensity. The study shows that intensity disclosure is a challenge for listed companies.
- 84% of the sampled companies disclosed A2.5 packaging materials data, recording a 7% increase over the same period last year. 48% of the sampled companies selected “not applicable” and provided explanations, while 16% neither disclosed the specific data nor provided explanations.

Considerations for listed companies under the disclosure requirements:

- The indicators related to resource use are designed to help management and investors identify the indicators related to the companies’ environmental management performance, including energy consumption, water consumption, packaging materials, etc. Relevant data should be collected and disclosed.
- Leading companies in the industry should continue to advance energy-saving technologies, improve energy efficiency, and develop clean energy to reduce energy consumption and emissions.
- Companies should note that even if certain quantitative environmental indicators cannot be disclosed due to the characteristics of the industry, they should be explained in accordance with the principle of “comply or explain”. Companies can determine the importance of KPIs through materiality assessment. Explanations should be provided in the report for KPIs identified as unimportant or irrelevant.

Management and disclosure of environmental information

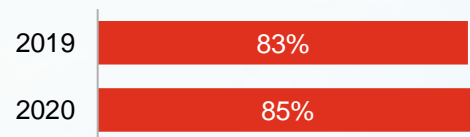
A3: The environment and natural resources

The disclosure of policies still needs to be strengthened while the disclosure of significant impacts and responses only increased slightly



Disclosure of KPIs

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



Data analysis and interpretation:

- 85% of the sampled listed companies disclosed the A3.1 environment and natural resources data, but 15% of the sampled issuers neither disclosed such indicator nor explained the reason. The main challenge is that it is still difficult for listed companies to accurately understand and make targeted responses to the impact of that their businesses have on the environment and natural resources. The common response is to repeatedly disclose the current emissions and the measures taken to save energy and reduce emissions.
- Sampled listed companies in industries such as energy, materials, utilities, and conglomerates have a relatively high relevance to such indicator in the operation process. Leading companies in various industries have responded well to such indicator, expounding their impacts on the environment and natural resources in the operation process. They have implemented countermeasures in their operation processes, including sustainable mining, environmental restoration, ecological impact, etc.

Considerations for listed companies under the disclosure requirements:

Companies should focus on analysing their impacts on the environment and natural resources, assessing environmental risks with significant impacts, and disclosing the countermeasures.

Management and disclosure of environmental information

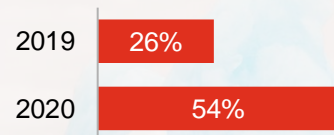
A4: Climate change

The disclosure of policies still needs to be improved while the disclosure of significant impacts and responses has significantly increased



Disclosure of KPIs

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



Data analysis and interpretation:

- In 2020, 54% of the sampled listed companies disclosed their assessment on and response to A4.1 significant climate-related issues, an 108% increase compared to 2019. However, the level of disclosure needs to be improved, and the disclosure of climate risk-related measures will remain a major challenge in the future.
- Only 37% of companies disclosed their policies to cope with climate change. The main reason is that listed companies do not have a deep understanding of climate change issues, and there are no relevant laws and policies in China in the past, so the definition of climate change is relatively vague.
- The study shows that a small number of companies have begun to disclose climate change-related information in detail in accordance with the Task Force on Climate-Related Financial Disclosure (TCFD) framework. This is an ideal form of disclosure for climate change, which can not only provide a theoretical basis for the measures taken to address climate change, but also demonstrate the company's initiative to turn crisis into opportunity.

Considerations for listed companies under the disclosure requirements:

Companies may use the recommendations from the TCFD under Financial Stability Board (FSB) to develop policies, identify and respond to climate-related risks and opportunities that may affect the company, assess their impacts on the company's businesses, take positive actions, and disclose climate change-related information, so as to meet the disclosure requirements under the new ESG Reporting Guide of HKEX.

TCFD's recommendations aim to assist companies in identifying climate-related risks and opportunities and dealing with the potential financial impacts on their businesses from the following four aspects:



Governance

Governance on climate-related risks and opportunities

Strategy

Actual and potential impacts of climate-related risks and opportunities on companies' businesses, strategy and financial planning

Risk management

Process for identifying, assessing and managing climate-related risks

Metrics and targets

Indicators and targets to identify and manage climate-related risks and opportunities

Management and disclosure of environmental information

Environmental targets

Indicators such as energy conservation and emission reduction are gradually transforming from qualitative to quantitative while the level of disclosure still needs to be improved

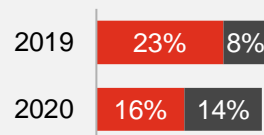
Environmental protection targets

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

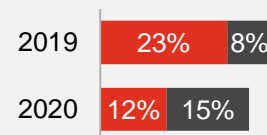
Disclosure of KPIs

- Qualitative targets
- Quantitative targets

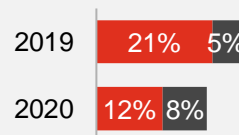
Emission targets:



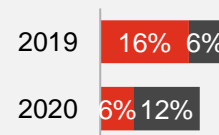
Energy use targets:



Waste reduction targets:



Water-saving targets:



Data analysis and interpretation:

- 30%, 20%, 27% and 18% of the sampled companies have disclosed emission targets, waste reduction targets, energy use targets and water efficiency targets, respectively. The percentages are lower than those in 2019. The overall performance is basic, and the level of disclosure still needs to be improved. The study shows that among the companies which have disclosed the above targets, listed companies from industries such as energy, conglomerates and utilities have a higher relevance to such indicators in their operation processes, thus realising a higher disclosure ratio than other industries. There are challenges for industries with low environmental impacts, such as consumer discretionary and information technology.
- Companies have moved forward to disclose more quantitative targets. The disclosure ratio of quantitative targets increased significantly, and targets gradually became more clear and attainable.
- In terms of exemplary practice, in addition to the disclosure of environmental targets, leaders have also structured their environmental targets into mid-term and long-term ones, and provided specific process and theoretical basis for setting the targets.

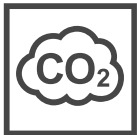
Considerations for listed companies under the disclosure requirements:

- The capital market is paying increasing attention to the environmental management of enterprises. Robust environmental management is driven by well established targets and performances. The establishment of targets and annual review of the achievements can reflect the responsibility and determination of enterprises in environmental protection.
- Companies are recommended to establish clear and achievable targets based on the S.M.A.R.T. principle (Specific, Measurable, Achievable [or attainable], Realistic, and Time-bound). and data disclosed in previous years, and disclose such targets in the ESG reports.
- Some companies have joined the Science-Based Target Initiative (SBTi). SBTi is a global initiative launched in 2015 by the World Wide Fund for Nature (WWF) in collaboration with the Carbon Disclosure Project (CDP), the World Resources Institute (WRI) and the United Nations Global Compact (UNGC). The initiative provides industry-specific resources and practical guidance to help companies set emission reduction targets that are in line with the Fifth Assessment Report of the United Nations Intergovernmental Panel on Climate Change that are well below the decarbonisation levels of 2° C or 1.5° C.

Responses to key environmental issues

We note that climate change has become a top concern for domestic and foreign investors in recent years. Accordingly, HKEX has included this issue in its latest disclosure requirements. In particular, since the target of achieving “carbon neutrality and peak carbon dioxide emissions” (also known as “dual carbon” target) was proposed in September 2020, the world has paid high attention to China's plan to deal with climate change.

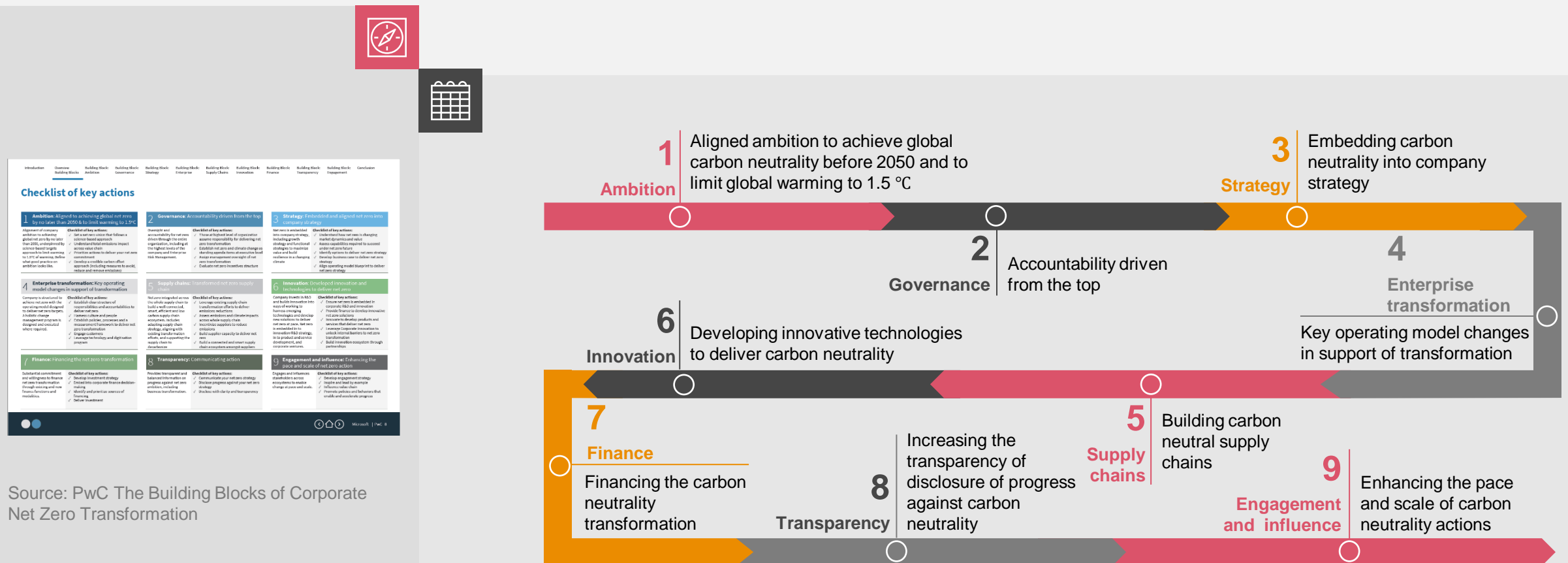
As the principal participants of making carbon neutrality commitment and implementing carbon neutrality actions, enterprises are of vital importance for China to achieve the target of “carbon neutrality and peak carbon dioxide emissions” as soon as possible. Under the guidance of a series of policies and regulations related to the “dual carbon” target, it has become an inevitable trend for all regions and industries to gradually achieve peak carbon dioxide emissions and carbon neutrality. In the process of carbon reduction and climate change response, enterprises can determine their carbon neutrality roadmap according to the three-step strategy of “carbon accounting, carbon target and carbon emissions reduction”.



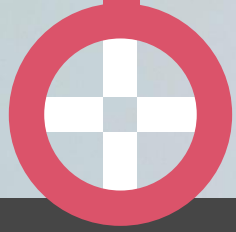
- Firstly, enterprises should carry out comprehensive carbon accounting as soon as possible to figure out their own carbon emissions and carbon footprint. The Greenhouse Gas Protocol (GHG Protocol), developed by WRI and the World Business Council for Sustainable Development (WBCSD), is the recognised benchmark for measuring and disclosing enterprises' greenhouse gas emissions worldwide.
- Secondly, enterprises should strive toward short-term goals on the grounds of long-term plans and set emissions reduction targets in light of their actual development. In terms of disclosure standards, SBTi, jointly initiated by the UN Global Compact, CDP, WRI and WWF, has rapidly become a widely accepted framework for setting emissions reduction targets based on the latest climate science.
- Finally, enterprises should, based on carbon accounting, identify key energy-consuming areas, explore emissions reduction opportunities, develop emissions reduction measures, ensure the effectiveness of these measures, and make continuous efforts to achieve emissions reduction targets.

Recommendations for listed companies to achieve carbon neutrality

In September 2020, PwC released a framework for the carbon neutral transformation and defined nine steps to achieve carbon neutrality, providing practical guidance for corporates on the carbon neutrality strategy and business transformation.



Source: PwC The Building Blocks of Corporate Net Zero Transformation



3.3 Social Aspect



Management and disclosure of social information

- In the ESG Reporting Guide (2019 Version), disclosure requirements for all 23 key performance indicators (KPIs) under the social aspect have been upgraded from “recommended disclosures” to “comply or explain” provisions.
- By analysing the ESG report samples for 2020, we found that listed companies generally welcomed and made efforts to implement this revision as the overall KPI disclosure level has been improved compared to previous years, but the disclosure level of certain indicators is still low.



The social aspect of ESG mainly assesses information disclosure of listed companies on employee benefits and development, supply chain management, customer rights protection and community development etc. This aspect takes negative social opinions and employee casualties that mirror company abilities in social risk management as negative indicators, and considers positive third-party evaluations under the social area as a bonus.

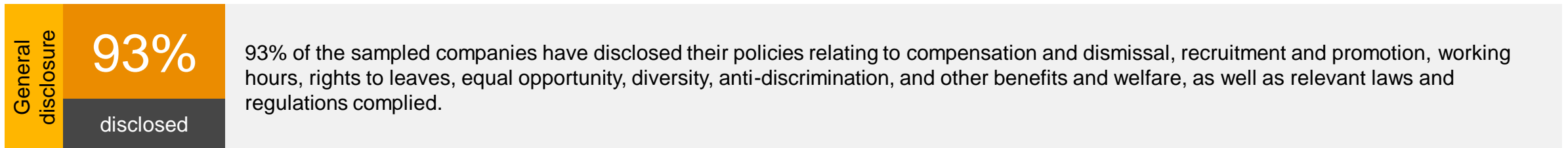
In the practice of disclosure, the challenges faced by enterprises are as follows:

- Lack of statistics on social KPIs or weak statistical foundation
- Sensitivity to negative indicators
- Whether to assess the environmental and social risks in supplier acceptance and review etc.
- Failure to conduct special trainings on anti-corruption

Management and disclosure of social information

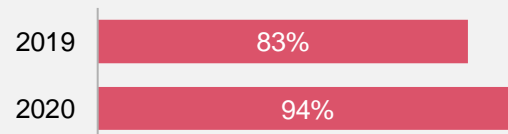
B1: Employment

The disclosure of policies in this aspect is relatively sufficient while the disclosure of employee turnover rates still needs improvement

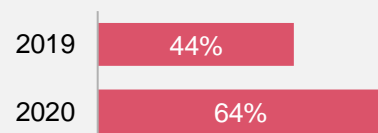


Disclosure of KPIs

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



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



Data analysis and interpretation:

- The employment type under KPI B1.1 has been clarified to include statistics on full and part-time employees under the New Rules. From the disclosed ESG report samples for 2020, the disclosure of this indicator has significantly improved. 94% of listed companies have disclosed this indicator.
- The rate of employee turnover has always been sensitive data for listed companies in the past. It reflects to a certain extent the company's ability to find and retain proper talents, competence in production and services, satisfaction with corporate cultures and the scientific structure of human resources etc. Since requirements for this indicator were upgraded from "recommended disclosures" to "comply or explain" provisions in the ESG Reporting Guide, this year, 64% of sampled listed companies commenced to disclose this indicator. It is expected that the annual disclosure will edge up in the future.

Considerations for listed companies under the disclosure requirements:

- If the companies fail to acquire all employee data, it should point out which types of employees are not included in the disclosure, and explain the nature of the work of that type of employees.
- As the employee turnover risk is mainly concentrated in remuneration, growth, development and recognition, the companies can offer their employees sufficient learning and development opportunities by cultivating corporate values and an inclusive culture.

Management and disclosure of social information

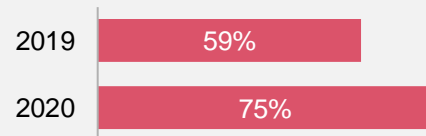
B2: Health and safety

The disclosure of policies regarding occupational health and safety is relatively sufficient while the disclosure of quantitative data on work injury still needs enhancement

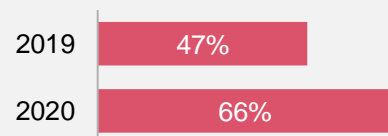


Disclosure of KPIs

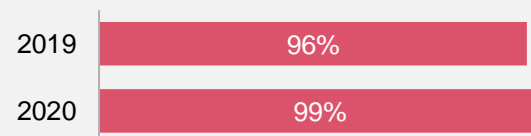
B2.1 Number and rate of work-related fatalities occurred in each of the past three years including the reporting year.



B2.2 Lost days due to work injury.



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



Data analysis and interpretation:

- 75% and 66% of the sampled listed companies have disclosed quantitative data on KPI B2.1 and B2.2. However, more than 25% of listed companies have not disclosed KPI B2.1 data (number and rate of work-related fatalities occurred in each of the past three years), nor have they provided any explanation.
- Up to 99% of the sampled listed companies have described KPI B2.3 occupational health and safety measures and how they are implemented and monitored, with relatively sufficient qualitative disclosure.

Considerations for listed companies under the disclosure requirements:

- We recommend listed companies defining work-related fatalities and disclose relevant data with reference to applicable local laws and regulations. The disclosure on work-related fatalities can drive listed companies to strengthen their supervision on workplace safety.
- The COVID-19 pandemic has triggered severe global challenges in occupational safety and health. As the viral transmission risk is rising in such industries as properties, transportation, retail, services, and food processing, listed companies in these industries shall enhance public health and occupational safety measures.
- Listed companies shall establish a management system for occupational health and safety through understanding of their current environment, identification of hazards, risk assessment, determination of necessary controls, formulation of safety policies and goals, and enhancement of employees' awareness of and abilities in occupational health and safety.
- Listed companies may control work safety through environmental, health and safety (EHS) information software, and transform the compliance-driven safety system to a risk-driven system.

Management and disclosure of social information

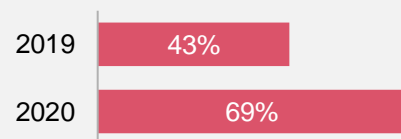
B3: Development and training

The disclosure of training data by gender and employee category still needs to be strengthened

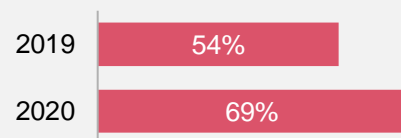


Disclosure of KPIs

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



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



Data analysis and interpretation:

- Up to 69% of the sampled listed companies have disclosed KPI B3.1 and B3.2 data, an increase of over 10% from 2019.
- With respect to the disclosure by industry, only 50% of the healthcare industry, 62% of the properties and construction industry, 45% of the industrials industry and 42% of the consumer goods industry have disclosed training hours.

Considerations for listed companies under the disclosure requirements:

- A good training mechanism is necessary for talent development. Improving the operation of the training mechanism is an important driver for improving the quality of employees. It is recommended that listed companies establish a sound training mechanism to strengthen employee trainings, so as to improve the motivation and vitality of quality employee teams.
- From the perspective of data, as training hours and target groups in different industries vary greatly, especially in the industrials and the consumer staples industry, trainings for front-line employees need to be enhanced.
- If listed companies fail to acquire all data on trainings or employee category, the type of training or employee category that is not included in the disclosure shall be indicated, with reasons specified.

Management and disclosure of social information

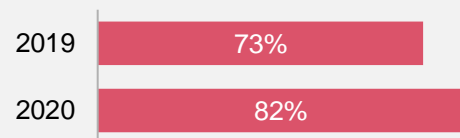
B4: Labour standards

The disclosure of labour policies is relatively sufficient while the disclosure of detailed action plans still needs to be strengthened

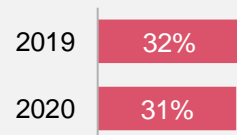


Disclosure of KPIs

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



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



Data analysis and interpretation:

- 82% of the companies have disclosed KPI B4.1 data, an increase of 9% from previous years.
- Only 31% of the sampled listed companies have disclosed KPI B4.2 data. This is mainly because non-compliance is rarely identified in many listed companies.
- During the study, we found that the compliance with relevant regulations or policies was highlighted in the disclosure. However, there are no disclosures of actual measures to avoid abetting or implicating child or forced labour through relationships with other parties such as suppliers and customers.

Considerations for listed companies under the disclosure requirements:

- Listed companies, especially those in the retail industry or branded companies need to pay more attention to the source of their products, or to businesses or suppliers in countries and regions that are considered to have the significant risk of child and forced labour.
- Listed companies shall detail their measures taken to avoid all forms of child or forced labour.
- To avoid abetting or implicating child or forced labour through relationships with others such as suppliers and customers, listed companies can involve third parties in social responsibility review, or require suppliers to annually provide a self-declaration that they are not committed to child or forced labour and comply with local labour laws and regulations.

Management and disclosure of social information

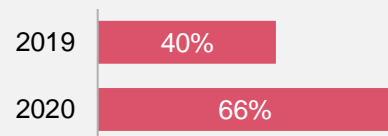
B5: Supply chain management

Supervision on the environmental protection and social risks along supply chains shall be strengthened

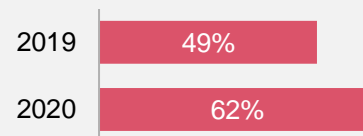


Disclosure of KPIs

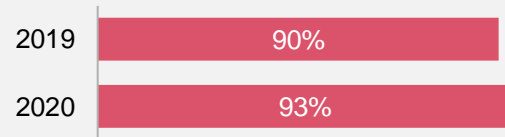
B5.1 Number of suppliers by geographical region.



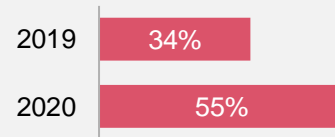
B5.3 Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored.



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



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



Data analysis and interpretation:

- 66% of the sampled listed companies have disclosed the number of suppliers by geographical region, while 93% have described the measures and monitoring methods for supplier engagement, with relatively complete disclosure information.
- 62% and 55% of the samples have disclosed B5.3 and B5.4 data respectively. These are newly added KPIs under the New Rules, which needs to be improved. The study shows that many companies get to know behaviour of their suppliers through questionnaires. In terms of urging suppliers to choose environment-friendly products, listed companies are challenged by less product choices, lack of environmental standards and labelling for market products, and higher prices which impose cost pressure on the suppliers.

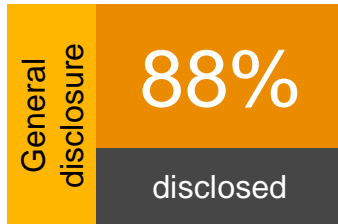
Considerations for listed companies under the disclosure requirements:

- Formulate a code of conduct for suppliers: Many industries or branded companies have launched a code of conduct with shared values, such as amfori BSCI recognised both by the retail industry and brands, SA8000 and Sedex, ICTI of the toy industry, and Responsible Business Alliance (RBA) of the electronic industry.
- Improve the environmental and social risk management mechanism of suppliers: Many branded companies have involved third parties to regularly review their suppliers to identify potential environmental and social risks. In addition, the environmental and social performance of suppliers has also been included in performance assessment. For well-performed suppliers, the companies will consider an incentive mechanism for orders.
- Help build sustainable supply chains: Listed companies shall support suppliers to improve their abilities in the sustainable supply chain management by adopting supply chain management tools, providing trainings and ability building for suppliers, and sharing advanced concepts, systems and management measures for the sustainable management of upstream and downstream suppliers along the value chain.

Management and disclosure of social information

B6: Product responsibility

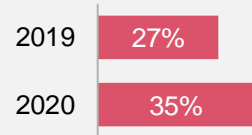
The overall disclosure is relatively sufficient



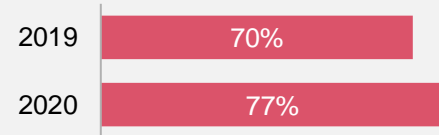
88% of the sampled companies have disclosed their compliance with relevant laws and regulations and policies relating to health and safety, advertising, labelling and privacy matters, and methods of redress concerning their products and services.

Disclosure of KPIs

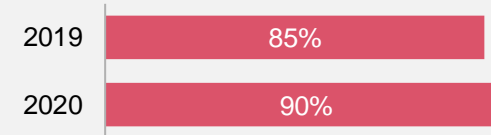
B6.1 Percentage of total products sold or shipped subject to recalls for safety and health reasons.



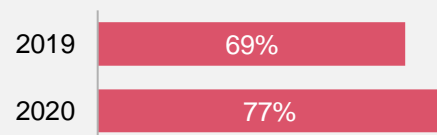
B6.3 Description of practices relating to observing and protecting intellectual property rights.



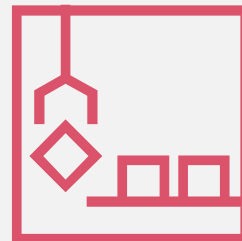
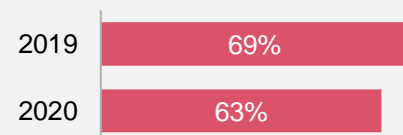
B6.5 Description of consumer data protection and privacy policies, and how they are implemented and monitored.



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



B6.4 Description of quality assurance process and recall procedures.



Data analysis and interpretation:

- 35% of the sampled listed companies have disclosed KPI B6.1 data (products sold subject to recalls). This KPI relates to consumer protection measures implemented by branded companies or retailers in accordance with relevant consumer protection laws. As the KPI does not apply to some listed companies, the disclosure ratio is lower.
- The disclosure ratio of KPI B6.2 (number of products and service related complaints and how they are dealt with) and B6.3 (description of practices relating to observing and protecting intellectual property rights) has reached 77% respectively, representing a slight increase.
- The disclosure ratio of KPI B6.4 (description of quality assurance process and recall procedures) has slightly decreased. This KPI, like KPI B6.1, is subject to industry limitations.
- The disclosure ratio of KPI B6.5 has reached 90% due to the strengthened regulatory requirements for and market concerns on consumer privacy in recent years.

Considerations for listed companies under the disclosure requirements:

- Indicators on product responsibility are designed to assist management and investors in sorting out the companies' indicators on customer service performance, including response rate, response time, resolution rate, etc. Even the companies that do not involve consumer goods, such as property developers and internet companies, shall make statistics and disclosure based on concerns and vital interests of the industry customers.
- As many countries have approved legislation on data security and personal privacy, listed companies shall spare no effort to strengthen data protection to ensure that data will not be disclosed or stolen or misused by third parties for the purpose of compliance in this regard.

Management and disclosure of social information

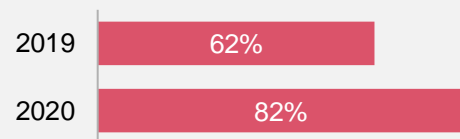
B7: Anti-corruption

The disclosure on policies in this aspect is relatively sufficient, whereas anti-corruption training still needs to be strengthened

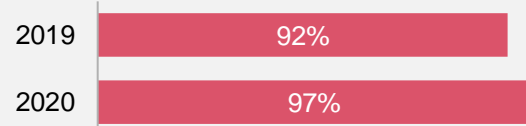


Disclosure of KPIs

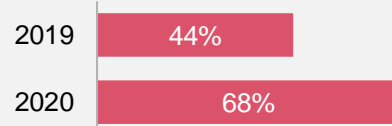
B7.1 Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases.



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



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



Data analysis and interpretation:

- 82% of the sampled listed companies have disclosed KPI B7.1 data this year, registering a 20% increase.
- 68% of the sampled listed companies have disclosed data on a new KPI—B7.3. The content disclosed shows that most listed companies only focused on anti-corruption training for their staff while neglected those for directors.
- The study also reveals that some listed companies only stated those anti-corruption measures developed and matters required to be disclosed in a general manner, without details regarding anti-corruption practices and the corresponding results.

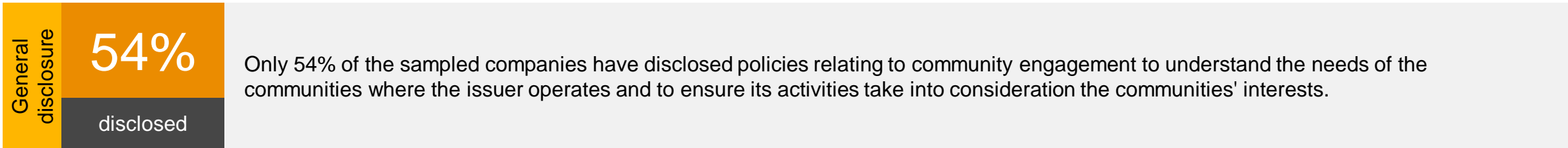
Considerations for listed companies under the disclosure requirements:

Listed companies, in addition to reporting on anti-corruption and anti-bribery policies, compliance with laws and regulations, as well as whistle-blowing mechanisms, shall strengthen management measures in respect of integrity requirements for employees and directors, declaration of interests, insider trading, supplier selection and bidding guide, and programs targeted at violations, so as to prevent potential corruption at the initial stage. Trainings shall be scheduled for employees and directors at least once a year to enhance the transparency of integrity, and anti-corruption measures shall be adopted and implemented to create a clean business environment.

Management and disclosure of social information

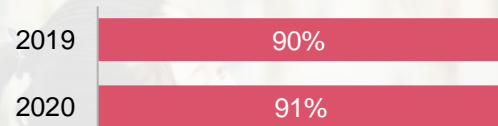
B8: Community investment

Management mechanism for community investment is insufficient

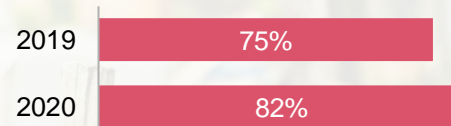


Disclosure of KPIs

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



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



Data analysis and interpretation:

Many enterprises have conducted corporate social responsibility (CSR) activities, exerting positive impact on the community where they operate through volunteering projects or establishment of charity foundations. In most cases, these CSR activities focus on community education, poverty alleviation, environmental protection and other key issues. The study shows that 91% of the sampled listed companies have disclosed KPI B8.1 data, indicating that most listed companies have recognised the importance of community investment and engaged therein with enthusiasm. Disclosure on the investment amount and time is sufficient.

Considerations for listed companies under the disclosure requirements:

- Listed companies shall actively respond to community investment, engage in community building and fasten ties with community residents.
- Listed companies shall enhance the management of quantitative data on community investment, including the management of activity statistics and the improvement of statistical methods.

Response to key social issues

Sustainable development of supply chains

The strengthening requirements on sustainable practices and information disclosure of supply chains and the demand for sustainable supply chain practices by global renowned companies and European corporate customers drive the agenda for global actions on sustainable development of supply chains. In facing this global trend, enterprises are expected to upgrade sustainable practices, such as compliance with sustainable reporting standards released by GRI, setting scientific carbon reduction targets, or obtaining certification required as per the sustainability rating, etc.

- 01** Establish a code of conduct for shared values between the enterprise and its suppliers by considering the supply chain characteristics material to the company itself and the industry it belongs to.
- 02** Identify potential environmental and social risks for suppliers, rectify material (medium and high) risks, and follow up on the correction actions and results.
- 03** Incorporate environmental and social risk assessment into regular annual supplier quality assessment. Expand the assessment criteria to beyond conventional quality and competitive price to include environmental protection, employees' health and safety, ethics etc. to establish a sustainable supplier evaluation system.

Health and safety in workplace

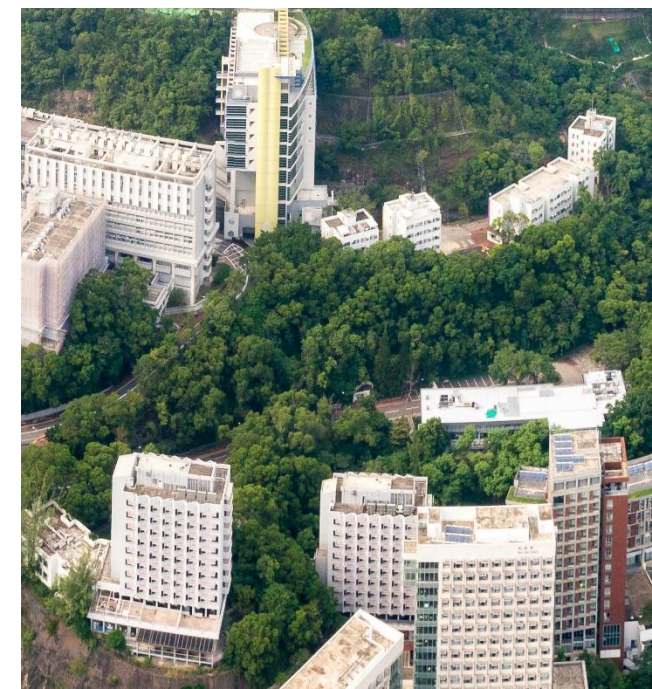
Enterprises concerned shall review and update relevant systems, travel policies, risk prevention and control measures in time in the context of the current pandemic, to ensure compliance with the latest domestic and foreign policies and regulations to facilitate the development of business. In view of the prevention and control of the pandemic, enterprises can make the best of online video or audio meetings and mobile information technologies to reduce unnecessary business travels. Important business travels that cannot be cancelled or postponed shall be planned and arranged in advance.





4

Recommendations and outlook



Recommendations and outlook

2020 is the fifth year for Hong Kong listed companies to conduct ESG reporting as required by HKEX. Listed companies in Hong Kong have established a foundation for ESG reporting with basic mechanism in place. The ESG Reporting Guide (2019 Version) has created new challenges for Hong Kong listed companies, raising the bar for ESG reporting. We recommend that Hong Kong listed companies keep improving their ESG governance, systematically manage environmental and social risks, enhance their overall competitiveness, win recognition from the external capital market and keep optimising ESG disclosure level:

01

Sound ESG governance is the foundation for ESG risk management and disclosure

The study shows that, although preliminary ESG governance structure has been established, how to make ESG risk the focus of the board of directors and management and how to practically involve them in ESG governance will be real challenges that listed companies face. We recommend that listed companies carry out systematic ESG risk identification activities, formulate targeted ESG strategies, strengthen ESG awareness and capacity building of the board of directors and management, so as to realise ESG risk control and take full advantage of ESG opportunities.

02

Environmental issue has always been a popular ESG topic, and climate change has become the focus

Due to increasingly frequent extreme weather in recent years, listed companies have deeply experienced the great uncertainty brought by climate change to business operations and development. The target of achieving “carbon neutrality and peak carbon dioxide emissions” raised by Chinese government has also posed new challenges and pressures on many Chinese enterprises. We recommend that listed companies identify their climate risks, measure their carbon emissions level, set future-oriented scientific carbon targets to facilitate carbon neutrality and global sustainable development. PwC has also developed an exclusive carbon emissions data tracking system to provide more valuable insights for carbon emission management. Based on accurate and effective data collection and analysis, the system can help enterprises in developing more scientific emission reduction strategies and mapping a reasonable approach for carbon neutrality in the future.

03

Social issues are under increasing public scrutiny

Topics such as labour rights, privacy protection and business ethics have become hot social issues recently, and have become the focus of regulators as well. In response to this, we recommend that listed companies pay attention to social issues concerning their own businesses and the industry, take initiative to manage information disclosure, and foster the trust of regulators, investors and other stakeholders. In addition, few listed companies have set quantitative ESG targets on social area at present. We recommend that listed companies set up development targets on key social topics, strengthen KPIs to realise accurate control of social risks.

04

Ongoing enhancement of credibility of ESG information is a must

ESG data is the basis for investment institutions to integrate ESG factors into responsible investment, while the accuracy, relevance and comparability of data have always been the focus and trigger points of investment institutions. With the development of responsible investment, listed companies need to take necessary measures to improve the quality of ESG data. We recommend that listed companies adopt ESG tools developed in accordance with internationally accepted ESG reporting standards to collect and calculate data, and implement internal audit and third-party verification targeted at ESG data. PwC has developed an exclusive digital ESG reporting tool to facilitate ESG data management and disclosure for listed companies.

Appendix 1 - Sampled Listed Companies (by industry)

Utilities

Stock code	Name of entity	Stock code	Name of entity	Stock code	Name of entity
3	The Hong Kong and China Gas Company Limited	836	China Resources Power Holdings Company Limited	2380	China Power International Development Limited
154	Beijing Enterprises Environment Group Limited	916	China Longyuan Power Group Corporation Limited	3868	Xinyi Energy Holdings Limited
182	Concord New Energy Group Limited	1281	LongiTech Smart Energy Holding Limited		
371	Beijing Enterprises Water Group Limited	1816	CGN Power Co., Ltd.		

Healthcare

Stock code	Name of entity	Stock code	Name of entity	Stock code	Name of entity
241	Alibaba Health Information Technology Limited	1530	3SBIOINC.	2696	Shanghai Henlius Biotech, Inc.
708	Evergrande Health Industry Group Limited	1672	Ascletris Pharma Inc.	3309	C-MER Eye Care Holdings Limited
1177	Sino Biopharmaceutical Limited	1789	AK Medical Holdings Limited	6078	Hygeia Healthcare Holdings Co., Limited
1345	China Pioneer Pharma Holdings Limited	1877	Shanghai Junshi Biosciences Co., Ltd.	6185	CanSino Biologics Inc.
1477	Ocumension Therapeutics	2135	Raily Aesthetic Medicine International Holdings Limited	9966	Alphamab Oncology
1515	China Resources Medical Holdings Company Limited	2196	Shanghai Fosun Pharmaceutical (Group) Co., Ltd.	9989	Shenzhen Hepalink Pharmaceutical Group Co., Ltd.

Materials

Stock code	Name of entity	Stock code	Name of entity	Stock code	Name of entity
358	Jiangxi Copper Company Limited	1378	China Hongqiao Group Limited	1907	China Risun Group Limited
661	China Daye Non-Ferrous Metals Mining Limited	1772	Ganfeng Lithium Co., Ltd.	2600	Aluminum Corporation of China Limited
809	Global Bio-chem Technology Group Company Limited	1787	Shandong Gold Mining Co., Ltd.	2899	Zijin Mining Group Co., Ltd.
1208	MMG Limited	1812	Shandong Chenming Paper Holdings Limited	6898	China Aluminum Cans Holdings Limited
1333	China Zhongwang Holdings Limited	1818	Zhaojin Mining Industry Company Limited		

Properties and Construction

Stock code	Name of entity	Stock code	Name of entity	Stock code	Name of entity
10	Hang Lung Group Limited	1030	Seazen Group Limited	2115	Channel Micron Holdings Company Limited
12	Henderson Land Development Company Limited	1036	Vanke Overseas Investment Holding Company Limited	2340	Synergis Holdings Limited
14	Hysan Development Company Limited	1109	China Resources Land Limited	2355	Baoye Group Company Limited
58	Sunway International Holdings Limited	1113	CK Asset Holdings Limited	2606	Sichuan Languang Justbon Services Group Co., Ltd.
106	Landsea Green Properties Co., Ltd.	1183	MECOM Power and Construction Limited	2669	China Overseas Property Holdings Limited
119	Poly Property Group Co., Limited	1315	Vision Fame International Holding Limited	2778	Champion Real Estate Investment Trust
124	Guangdong Land Holdings Limited	1582	CR Construction Group Holdings Limited	2868	Beijing Capital Land Ltd.
207	Joy City Property Limited	1599	Beijing Urban Construction Design & Development Group Co., Limited	3311	China State Construction International Holdings Limited
390	China Railway Group Limited	1615	AB Builders Group Limited	3319	A-Living Services Co., Ltd.
410	SOHO China Limited	1722	Kin Pang Holdings Limited	3323	China National Building Material Company Limited
610	Wai Kee Holdings Limited	1802	Wenye Group Holdings Limited	3333	China Evergrande Group
688	China Overseas Land & Investment Ltd.	1972	Swire Properties Limited	3383	Agile Group Holdings Limited
691	China Shanshui Cement Group Limited	2007	Country Garden Holdings Company Limited	3992	Creative Enterprise Holdings Limited
823	Link REIT	2019	Dexin China Holdings Company Limited	6098	Country Garden Services Holdings Company Limited
884	CIFI Holdings (Group) Co. Ltd.	2048	E-House (China) Enterprise Holdings Limited	8360	AL Group Limited
914	Anhui Conch Cement Company Limited	2068	China Aluminum International Engineering Corporation Limited		

Conglomerates

Stock code	Name of entity	Stock code	Name of entity	Stock code	Name of entity
1	CK Hutchison Holdings Limited	363	Shanghai Industrial Holdings Limited	2327	Meilleure Health International Industry Group Limited
19	Swire Pacific Limited A	620	DTXS Silk Road Investment Holdings Company Limited	3686	Clifford Modern Living Holdings Limited
242	Shun Tak Holdings Limited	656	Fosun International Limited		
267	CITIC Limited	882	Tianjin Development Holdings Limited		

Industrials

Stock code	Name of entity	Stock code	Name of entity	Stock code	Name of entity
55	Neway Group Holdings Limited	1157	Zoomlion Heavy Industry Science and Technology Co., Ltd.	3378	Xiamen International Port Co., Ltd.
152	Shenzhen International Holdings Limited	1199	COSCO SHIPPING Ports Limited	3808	Sinotruk (Hong Kong) Limited
365	Sino ICT Holdings Limited	1301	D&G Technology Holding Company Limited	3996	China Energy Engineering Corporation Limited
517	COSCO SHIPPING International (Hong Kong) Co., Ltd.	1308	SITC International Holdings Company Limited	6119	Tian Yuan Group Holdings Limited
636	Kerry Logistics Network Limited	1366	Jiangnan Group Limited	6805	Kimou Environmental Holding Limited
658	China High Speed Transmission Equipment Group Co., Ltd.	1451	MS Group Holdings Limited	8073	China Singyes New Materials Holdings Limited
698	Tongda Group Holdings Limited	1576	Qilu Expressway Company Limited	8166	China Eco-Farming Limited
968	Xinyi Solar Holdings Limited	1689	Huaxi Holdings Company Limited	8246	Zhonghua Gas Holdings Limited
1052	Yuexiu Transport Infrastructure Limited	1823	Huayu Expressway Group Limited	8291	Wan Cheng Metal Packaging Company Limited
1122	Qingling Motors Co., Ltd.	2039	China International Marine Containers (Group) Co., Ltd.	8482	Wan Leader International Limited
1138	COSCO SHIPPING Energy Transportation Co., Ltd.	2357	AviChina Industry & Technology Company Limited	8502	Ocean Line Port Development Limited

Telecommunications

Stock code	Name of entity	Stock code	Name of entity	Stock code	Name of entity
8	PCCW Limited	762	China Unicom (Hong Kong) Limited	8147	Millennium Pacific Group Holdings Limited
215	Hutchison Telecommunications Hong Kong Holdings Limited	788	China Tower Corporation Limited	8337	Directel Holdings Limited
471	CMMB Vision Holdings Limited	941	China Mobile Limited		
728	China Telecom Corporation Limited	6823	HKT Trust & HKT Limited - SS		

Consumer Staples

Stock code	Name of entity	Stock code	Name of entity	Stock code	Name of entity
756	Summi (Group) Holdings Limited	1587	Shineroad International Holdings Limited	3331	Vinda International Holdings Limited
926	Besunyen Holdings Company Limited	1610	COFCO Meat Holdings Limited	6836	Tianyun International Holdings Limited
980	Lianhua Supermarket Holdings Co., Ltd.	2218	Yantai North Andre Juice Co., Ltd.	8476	Ocean One Holding Ltd.
1431	YuanShengTai Dairy Farm Limited	2319	China Mengniu Dairy Company Limited	9633	Nongfu Spring Co., Ltd.

Information Technology

Stock code	Name of entity	Stock code	Name of entity	Stock code	Name of entity
250	Sino-i Technology Limited	861	Digital China Holdings Limited	3888	Kingsoft Corporation Limited
268	Kingdee International Software Group Company Limited	992	Lenovo Group Limited	6869	Yangtze Optical Fibre and Cable Joint Stock Limited Company
303	VTech Holdings Limited	1039	Fortunet e-Commerce Group Limited	8095	Beijing Beida Jade Bird Universal Sci-Tech Company Limited
553	Nanjing Panda Electronics Company Limited	1137	Hong Kong Television Network Limited	8267	Linekong Interactive Group Co., Ltd.
696	TravelSky Technology Limited	1347	Hua Hong Semiconductor Limited	8282	Gameone Holdings Limited
700	Tencent Holdings Limited	1810	Xiaomi Corporation	9923	Yeahka Limited
710	BOE Varitronix Limited	2369	Coolpad Group Limited		
763	ZTE Corporation	3690	Meituan Dianping		

Financial Services

Stock code	Name of entity	Stock code	Name of entity	Stock code	Name of entity
5	HSBC Holdings plc	1398	Industrial and Commercial Bank of China Limited	2628	China Life Insurance Company Limited
11	Hang Seng Bank Limited	1578	Bank of Tianjin Co., Ltd.	3618	Chongqing Rural Commercial Bank Co., Ltd.
23	The Bank of East Asia, Limited	1606	China Development Bank Financial Leasing Co., Ltd.	3908	China International Capital Corporation Limited
388	Hong Kong Exchanges and Clearing Limited	1658	Postal Savings Bank of China Co., Ltd.	3968	China Merchants Bank Co., Ltd.
939	China Construction Bank Corporation	1776	GF Securities Co., Ltd.	3988	Bank of China Limited
998	China CITIC Bank Corporation Limited	1911	China Renaissance Holdings Limited	6030	CITIC Securities Company Limited
1288	Agricultural Bank of China Limited	1983	Luzhou Bank Co., Ltd.	6066	CSC Financial Co., Ltd.
1336	New China Life Insurance Company Ltd.	1988	China Minsheng Banking Corp., Ltd.		
1359	China Cinda Asset Management Co., Ltd.	2318	Ping An Insurance (Group) Company of China, Ltd.		

Energy

Stock code	Name of entity	Stock code	Name of entity	Stock code	Name of entity
386	China Petroleum & Chemical Corporation	1088	China Shenhua Energy Company Limited	2386	SINOPEC Engineering (Group) Co., Ltd.
857	PetroChina Company Limited	1171	Yanzhou Coal Mining Company Limited	3899	CIMC Enric Holdings Limited
883	CNOOC Limited	1898	China Coal Energy Company Limited		
1033	Sinopec Oilfield Service Corporation	2236	Wison Engineering Services Co., Ltd.		

Consumer Discretionary

Stock code	Name of entity	Stock code	Name of entity	Stock code	Name of entity
18	Oriental Press Group Ltd	1070	TCL Electronics Holdings Limited	2698	Weiqiao Textile Company Limited
27	Galaxy Entertainment Group Limited	1132	Orange Sky Golden Harvest Entertainment (Holdings) Limited	3636	Poly Culture Group Corporation Limited
45	The Hongkong and Shanghai Hotels, Limited	1212	Lifestyle International Holdings Limited	3978	China Beststudy Education Group
62	Transport International Holdings Limited	1269	China First Capital Group Limited	6116	Shanghai La Chapelle Fashion Co., Ltd.
167	IDT International Limited	1368	Xtep International Holdings Limited	6690	Haier Smart Home Co., Ltd.
175	Geely Automobile Holdings Limited	1388	Embry Holdings Limited	6830	Huazhong In-Vehicle Holdings Company Limited
200	Melco International Development Limited	1448	Fu Shou Yuan International Group Limited	6919	Renrui Human Resources Technology Holdings Limited
289	Wing On Company International Limited	1532	China Partytime Culture Holdings Limited	8006	Sino Splendid Holdings Limited
311	Luen Thai Holdings Limited	1585	Yadea Group Holdings Ltd.	8032	Viva China Holdings Limited
312	Shirble Department Store Holdings (China) Limited	1715	Miji International Holdings Limited	8123	Sinofortune Financial Holdings Limited
341	Café de Coral Holdings Limited	1761	Babytree Group	8206	Shentong Robot Education Group Company Limited
423	Hong Kong Economic Times Holdings Limited	1842	Grown Up Group Investment Holdings Limited	8211	Zhejiang Yongan Rongtong Holdings Co., Ltd.
482	Sandmartin International Holdings Limited	1890	China Kepei Education Group Limited	8232	Classified Group (Holdings) Limited
528	Kingdom Holdings Limited	1901	Feiyang International Holdings Group Limited	8317	Finet Group Limited
670	China Eastern Airlines Corporation Limited	1959	Centenary United Holdings Limited	8392	Satu Holdings Limited
709	Giordano International Limited	2006	Shanghai Jin Jiang Capital Company Limited	8418	Optima Automobile Group Holdings Limited
752	Pico Far East Holdings Limited	2033	Time Watch Investments Limited	8431	Hao Bai International (Cayman) Limited
780	Tongcheng-Elong Holdings Limited	2122	Kidsland International Holdings Limited		
869	Playmates Toys Limited	2127	Huisen Household International Group Limited		
1003	Huanxi Media Group Limited	2180	ManpowerGroup Greater China Limited		

Appendix 2 - Overview of HKEX ESG Disclosure Requirements

Mandatory disclosure requirements

Board statement

- A disclosure of the board's oversight of ESG issues;
- The board's ESG management approach and strategy, including the processes used to evaluate, prioritise and manage material ESG-related issues (including risks to the issuer's businesses); and
- How the board reviews progress made against ESG-related goals and targets, with an explanation of how they relate to the issuer's businesses.

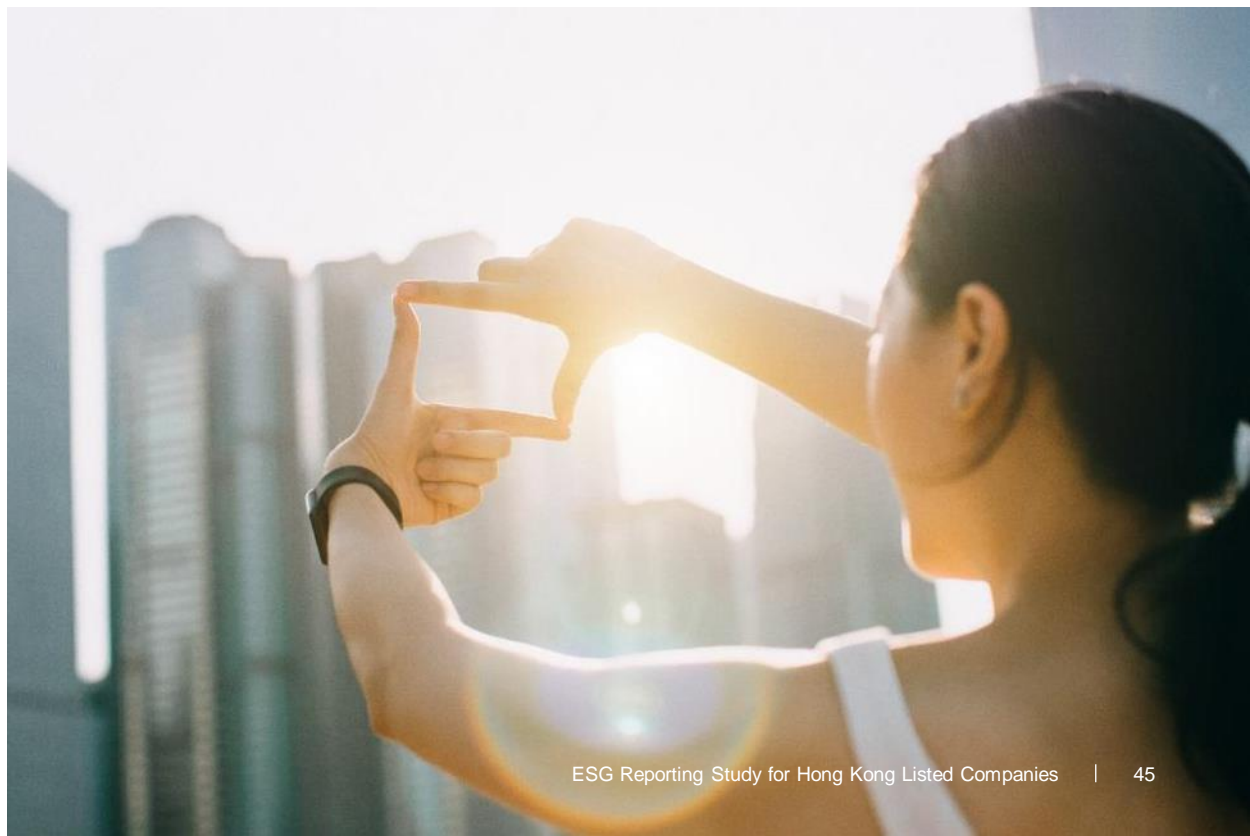
A description or an explanation of the application of the following reporting principles in preparation of ESG reports:

- **Materiality:** The ESG report should disclose: (i) the process to identify and the criteria for the selection of material ESG factors; (ii) if a stakeholder engagement is conducted, a description of significant stakeholders identified, and the process and results of the issuer's stakeholder engagement.
- **Quantitative:** Information on the standards, methodologies, assumptions and/or calculation tools used, and source of conversion factors used for the reporting of emissions/energy consumption (where applicable) should be disclosed.
- **Consistency:** The issuer should disclose in the ESG report any changes to the methodology or KPIs used, or any other relevant factors affecting a meaningful comparison.
- A narrative explaining the reporting boundaries of the ESG report and describing the processes used to identify which entities or operations are included in the ESG report. If there is a change in the scope, the issuer should explain the difference and reason for the change.

"Comply or explain" Provisions

General disclosure of information on:

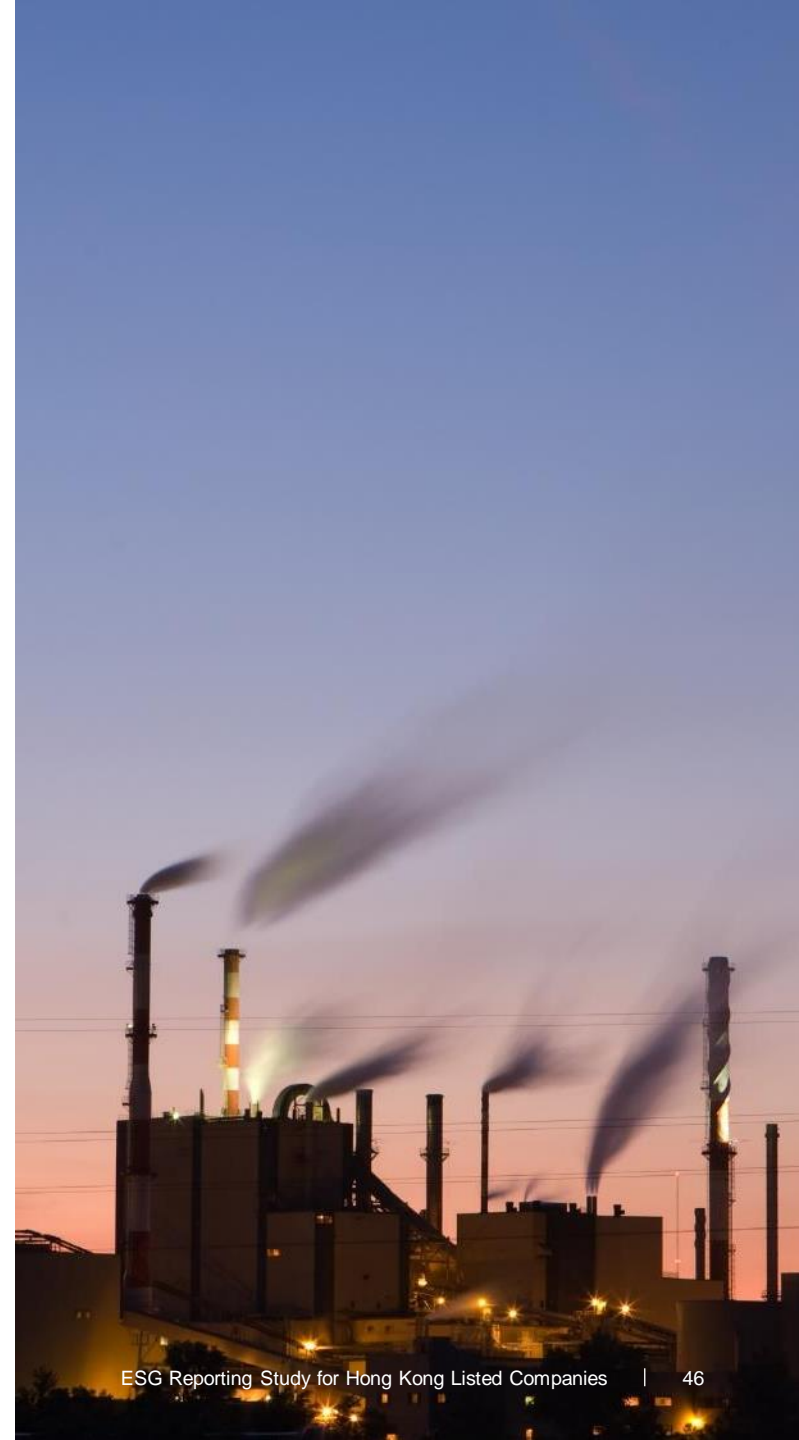
- The policies; and
- Compliance with relevant laws and regulations that have a significant impact on the company relating to the environmental and social topics listed below.



Appendix 2 - Overview of HKEX ESG Disclosure Requirements

Environmental

Emissions	<ul style="list-style-type: none">• Emission types and amounts• Direct (Scope 1) and energy indirect (Scope 2) GHG emission amounts and, where appropriate, intensity• Emissions targets and steps taken to achieve them• Hazardous and non-hazardous waste produced (amount and intensity)• How hazardous and non-hazardous wastes are handled, reduction targets and steps taken to achieve them
Use of resources	<ul style="list-style-type: none">• Energy consumption in total, by type and intensity• Energy efficiency targets and steps taken to achieve them• Water consumption in total and intensity• Water efficiency targets and steps taken to achieve them• Total packaging material used for finished products, and amount per unit
The environment and natural resources	<ul style="list-style-type: none">• Policies on minimising the issuer's significant impacts on the environment and natural resources• Significant impacts of activities on the environment and natural resources and the actions taken to manage them
Climate change	<ul style="list-style-type: none">• Policies on identification and mitigation of significant climate-related issues that have affected, and that may affect, the issuer• Significant climate-related issues that have affected, and that may affect, the issuer, and the actions taken to manage them



Appendix 2 - Overview of HKEX ESG Disclosure Requirements

Social

Employment proportion

- Total workforce by gender, employment type (full-time or part-time), age group and geographical region
- Employee turnover rate by gender, age group and geographical region

Health and safety

- Work-related fatalities (occurred in each of the past three years)
- Lost days due to work injury
- Occupational health and safety measures, implementation and monitoring

Development and training

- Percentage of employees trained by gender and employment category (e.g. senior management, middle management)
- Average training hours completed per employee by gender and employment category

Labour standards

- Employment practices review to avoid child and forced labour
- Steps taken to eliminate such practices when discovered

Supply chain management

- Number of suppliers by geographical region
- Supplier engagement practices, their implementation and monitoring methods, and number of suppliers for which the practices are implemented
- Practices used to identify environmental and social risks in the supply chain, and their implementation and monitoring
- Practices used to promote environmentally preferable products and services, and their implementation and monitoring

Product responsibility

- Percentage of total products sold/shipped that were subject to recalls for safety/health reasons
- Number of products/service related complaints and how they were handled
- Practices to observe and protect intellectual property rights
- Quality assurance and recall procedures
- Consumer data protection and privacy policies, and their implementation and monitoring

Anti-corruption

- Number and outcome of concluded legal cases for corrupt practices brought against the issuer or its employees
- Preventive measures and whistle-blowing procedures, and their implementation and monitoring
- Anti-corruption training description

Community investment

- Focus contribution areas (e.g. education, environment, labour, health, culture)
- Resources contributed to the focus area



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