



Survey on the Hang Seng Index (HSI) Constituents’ Environmental, Social and Governance (ESG)

Executive Summary and Policy Suggestions

Preface

Oxfam Hong Kong (OHK) has been promoting corporate social responsibility (CSR) for over a decade, as private sector behaviour has a significant impact on social and economic development. Companies, while making profit from the society, should equally be committed to their employees, consumers, the community and environment in which they operate. CSR is not simply ‘doing good’ or mere philanthropy. It involves integrating Environmental, Social and Governance (ESG) policies and practices into corporate strategy and business operations for the benefit of all. Companies should play a more active role in supporting the community at large, and help underprivileged people benefit from economic development, thus reducing poverty in the long run.

International trends are showing the importance of CSR. Since 2012, for example, major stock exchanges around the world – including the London Stock Exchange, Nasdaq, New York Stock Exchange and Deutsche Börse AG – have become partners of the Sustainable Stock Exchange (SSE) initiative. The SSE’s¹ recent guidelines suggest that CSR should encompass the broad set of ESG considerations that can impact a company’s ability to execute its business strategy and create value.

As people living in poverty can benefit from economic development through enhanced CSR, OHK has been promoting the integration of ESG into corporate policies and business operations since 2004. OHK conducted two pioneering studies in 2008 and 2009 to study the CSR performance of the Hang Seng Index (HSI) constituents by looking at the implementation of their CSR initiatives. OHK hopes to influence companies to adopt international standards to formulate or improve their ESG policies – especially in terms of committing to or reporting on areas such as the labour and supply chain, human rights, equal employment opportunities and the environment – and set pro-poor policies.

¹ <http://www.sseinitiative.org/wp-content/uploads/2015/10/SSE-Model-Guidance-on-Reporting-ESG.pdf>

Ultimately, OHK aims to promote corporate social responsibility and call on the largest companies in Hong Kong to comply with the highest international standards so as to help eradicate poverty.

In recent years, the international community has increased its expectations with regard to CSR; as a result, reporting standards have been raised as well. In 2010, the Securities and Exchange Commission in the United States required companies to disclose financially material impacts related to climate change. In 2011, the Brazilian Exchange also began recommending that listed companies inform the public if they have published a sustainability report. Furthermore, the Indonesian Government enacted regulations in 2012 that compel companies engaged in natural resources to disclose information on the implementation of their CSR work plans. The United Kingdom also amended its Companies Act in 2013 calling on companies to disclose information related to their human rights and gender diversity performance. The European Commission required companies with more than 500 employees to publish information on ESG factors.

In 2013, the Hong Kong Stock Exchange (HKEx) published its first ESG reporting guidelines and recommended issuers to follow them. To be on par with international standards, the HKEx completed a consultation exercise in 2015, and raised its reporting obligations to ‘comply or explain’ on general disclosure in all aspects in January this year. In other words, only general policies – and not Key Performance Indicators (KPIs) – require disclosure. More stringent reporting standards that require the disclosure of environmental KPIs will be elevated to ‘comply or explain’ in 2017 as well. However, this new requirement will not be applied to social KPIs, thus clearly lagging behind international reporting standards.

In fact, there is increasing concern among international investors about corporate CSR performance; HSI constituents should thus follow the international trend to improve their performance in this area. The trend can be seen in the United Nations Principles for Responsible Investment (UNPRI): in May 2016, the assets under management by its signatories stood at more than US\$62 trillion. To maintain the HKEx’s leading role in the region, it should regulate its listed companies with regard to their CSR performance.

In view of this, Oxfam commissioned Reputex² to conduct a survey on HSI constituents’ ESG transparency and quality between October and December 2015. The survey aims to provide the public with more information to facilitate monitoring, and promote CSR in the private sector.

² Reputex partnered with HSI companies between 2010 and 2013 to analyse companies’ sustainability performance and formulate the Hang Seng Corporate Sustainability Index.

1. Research Methodology

1.1 Data Collection

The research is based on publicly available information (e.g. company websites, annual reports and sustainability reports, market regulatory compliance and financial data). In addition, all 50 companies were invited to complete a questionnaire to provide additional information to verify their performance and modify the results. The companies were then ranked according to the final results.

Company performance in this survey was appraised according to transparency, comprehensiveness of information, and management and monitoring systems, whereas previous studies looked at whether or not policies were in place. As such, the 2015 survey results are not comparable to the previous surveys.

The research investigated 50 HSI constituents, out of which 19 companies (38 per cent) provided additional information by completing questionnaires (Table 1).

1.2 Rating

Workplace practice is generally considered a social factor within the ESG universe. OHK believes that workplace practice is of crucial importance as it can improve the livelihoods of workers and hence alleviate poverty. As such, it was analysed independently to show corporate performance in labour rights protection.

Companies were appraised in terms of four key categories: Corporate Governance, Environmental Impact, Social Impact and Workplace Practices, which covered more than 50 indicators (See Table 2).

A score against each ESG performance indicator was applied; scores were then weighted and aggregated to provide an overall category score. Each category carries equal weighting, that is 25%; with 100% being the total score. Category scores are added together to arrive at an overall performance rating. The ratings are: 'Reliable' (i.e. companies that receive a score of 66 per cent or above), 'Satisfactory' (i.e. between 56 and 65 per cent) and 'Unstable' (i.e. 55 per cent and below).

1.3 Limitations

The research is based on publicly available information for the purpose of rating company performance. The research did not survey and evaluate criticisms that the same company faces from media and civil society.

2 Profile of HSI Constituents

As of December 2015, the total market capitalisation of all HSI constituents stood at over HK\$13.5 trillion. Listed companies that have been selected as HSI constituents are companies that make up the top 90th percentile of the total market capitalisation and constitute the top 90th percentile of the total turnover of the Hong Kong stock market. Index constituents contributed significantly to the Hong Kong economy, which posed far-reaching impacts over society and environment. For this reason, enhancing public awareness of companies' CSR performance in ESG is important.

The financial sector was the largest sector (23 companies) in the HSI universe, followed by the utilities (five companies) and consumer staples (five companies) sectors. (Please see Appendix II for details.) (See Table 3)

3 Major Findings

3.1 Overall performance: 26 per cent of HSI constituents were considered 'Reliable' and 32 per cent were considered 'Unstable'

Of the 50 constituents, 32 per cent (16 companies) were considered 'Unstable'. A further 42 per cent (21 companies) fell into the 'Satisfactory' category, while 26 per cent (13 companies) were classified as 'Reliable'. Swire Pacific Ltd, MTR Corporation Ltd, HSBC Holdings Plc and CLP Holdings had obtained the highest scores and thus represented the top performing companies in the HSI universe (see Table 4).

The 16 companies in the unstable category performed poorly on all accounts. For example, they were unable to protect employees' or offer them sufficient opportunities for development in the workplace. Furthermore, these companies engaged in little to no dialogue with stakeholders regarding their social impact and did not formulate environmental policies or management systems. In total, these companies hired more than 1.4 million employees around the world³ and had a total market capitalisation of HK\$2.7 trillion⁴.

3.2 Both the consumer staples and consumer discretionary sectors displayed poorest performance

Among the nine sectors in the HSI universe that were assessed, Information Technology was the top performing sector, while both consumer staples and consumer discretionary were the worst-performing sectors, far below other sectors (Table 5). Both sectors (nine

³ Derived from companies' 2014 annual reports.

⁴ As of 31 December, 2015

companies) hired more than 600,000 employees globally⁵ and had a total market capitalisation of HK\$723.6 billion⁶, however, they failed to protect their workers' employment rights and implement better employment practices. Since the consumer sector generally involves sizeable supply chains, a lack of company policies that protect supply chain workers' livelihoods and human rights can have widespread ramifications (see Table 5).

3.3 Thirty-four per cent of companies did not adopt the Global Reporting Initiative (GRI) Guidelines

The GRI Guidelines were developed by The Global Reporting Initiative, reporting standards that are widely used internationally. The European Commission, Taiwan Stock Exchange and Singapore Exchange, among others, recommend using the G4 Guidelines as the reporting standard for listed companies. Our survey shows that although nearly all companies disclosed ESG information, only 48 per cent (24 companies) and 18 per cent (9 companies) respectively adopted the GRI's G4 and G3.1 Guidelines. A further 34 per cent (17 companies) did not adopt the GRI's standards, while three companies did not report on their ESG performance and lagged behind international standards (see Table 6).

3.4 Workplace practice: 20 per cent of HSI constituents 'Reliable', and 48 per cent 'Unstable'

Twenty per cent of companies (10 companies) were considered 'Reliable', 32 per cent (16 companies) were 'Satisfactory' and 48 per cent (24 companies) were 'Unstable'. Companies that performed poorly with regard to workplace practices had not provided sufficient training and development opportunities to employees, or lacked transparency in occupational safety and health, and had high staff turnover rates (see Table 7).

3.5 Environmental Impact: 20 per cent HSI constituents 'Reliable', and 44 per cent 'Unstable'

Twenty per cent of companies (10 companies) were considered 'Reliable', 36 per cent (18 companies) were 'Satisfactory' and 44 per cent (22 companies) were 'Unstable'. Companies that showed poor environmental performance were those that had not established environmental management systems that were in line with international standards (e.g. ISO 14001), or endeavoured to reduce their ecological footprints by, for example, setting emissions reduction targets and timelines, and mitigation strategies of environmental impacts (see Table 8).

⁵ Calculated by summing up the total number of employees of each company; numbers of employees were derived from companies' annual report 2014.

⁶ As of 31-December 2015.

3.6 Social impact: 26 per cent HSI constituents ‘Reliable’, and 30 per cent ‘Unstable’

Twenty-six per cent of companies (13 companies) were considered ‘Reliable’, 44 per cent (22 companies) were ‘Satisfactory’ and 30 per cent (15 companies) were ‘Unstable’. All companies performed well in community investment; however, some performed poorly in terms of human rights protection in their supply chains, stakeholder engagement, and reporting and transparency (see Table 9).

3.7 Forty-four per cent of companies had not applied policy to require their supply chains to take appropriate measure

Forty-four per cent of companies (22 companies) had not implemented prevention practices in their supply chains. Inter alia, these companies did not have the following policies and procedures in place: employee codes of conduct to ensure equal pay, equally rights for equal work, reasonable working hours and paid annual leave, rights to form and join trade union, prevention of harassment and discrimination, provision of human right training to employees (see Table 9). It is worth noting that 80 per cent of constituents (40 companies) had not supported any international human rights treaties such as the Universal Declaration of Human Rights or the UN Global Compact⁷ (see Table 9).

3.8 A third of companies lacked procedures to consult with community stakeholders

Thirty-two per cent of constituents (16 companies) lacked stakeholder engagement procedures. A further 32 per cent of companies (16 companies) had procedures in place to collect community stakeholders’ feedback and publicly disclose collected information, while 36 per cent (18 companies) only had stakeholder engagement procedures and did not publicly disclose stakeholder feedback. Companies that do not publicly share stakeholder feedback are generally more inclined to not release how this feedback influences their new policies. Companies may thus take stakeholders’ feedback lightly, making it difficult for stakeholders to affect and improve companies’ policies (see Table 9).

3.9 Close to half of HSI constituents lacked equal employment opportunity policies

Forty-eight per cent of companies (24 companies) had not enforced equal employment opportunity policies. Slightly more than half of the companies had related policies in place, only 32 per cent of companies (16 companies) adopted more advanced equal

⁷ The Universal Declaration of Human Rights is a declaration adopted by United Nations in 1948 for establishment of human rights standards. Listed companies could employ the framework to make standards to assess human rights performance. The UN Global Compact formed in 2000 is an initiative to encourage businesses worldwide to adopt sustainable and socially responsible policies, and to report on their implementation. The Global Compact covered four areas namely human right, labour, environment, and anti-corruption.

employment opportunity policies that recognised the rights of different groups (see Table 10). Equal employment opportunity policies prohibit discrimination based on nationality, religion, sexual orientation and age so as to offer equal employment opportunities to everyone.

3.10 Corporate Governance: category in which companies performed best

Among all the categories, corporate governance was the one in which companies performed the best. Sixty-eight per cent (34 companies) and 32 per cent (16 companies) of constituents were considered ‘Reliable’ and ‘Satisfactory’ respectively. This can be attributed to the strict governance frameworks for listed companies in Hong Kong and mainland China, with mandatory reporting in place for key issues such as ownership, audit and compliance and Director conduct.

4 Discussion

The study indicated that most of the HSI constituents displayed commitments to ESG transparency, though 16 companies still fell into the ‘Unstable’ category. All HSI constituents were categorised as ‘Satisfactory’ or ‘Reliable’ with regard to corporate governance and companies’ social impact, indicating a strong and positive correlation between regulation and performance. That said, workplace and environmental performance took a backseat.

The HKEx raised its ESG reporting requirements to ‘comply or explain’ after 1 January, 2016; companies are required to disclose their general policies, statistical figures on performance are not required. A higher standard of disclosure – ‘comply or explain’ – with regard to its environmental KPIs will be adopted in 2017. However, this means that reporting on KPIs with regard to social aspects is not required.

This study has shown that companies perform most poorly in terms of workplace practices. Workplace practice was neglected in the HKEx’s ESG guide in which workplace practices was categorised as into social aspect. It reflects the very fact that without standards that require companies to release KPIs in regard to workplace practices, companies may not be motivated to improve them.

Apart from the above, a large number of companies performed poorly in the areas of human rights and supply chain management. Without effective monitoring initiatives, the human rights of poor people in both Hong Kong and developing countries are not sufficiently protected. OHK has always been concerned about issues related to human rights, employment rights and supply chain management, and believes that effective monitoring could improve workers’ livelihoods and protect their rights. OHK thus encourages companies to formulate and implement human and employment rights policies that are on par with international standards, offer fair wages that can help

workers lead decent lives, prevent discrimination and protect workers from other threats. If these policies are extended to supply chains, the benefits would be further maximised.

Companies in the 'Unstable' category may have fallen into the category as they were unaware of the need to implement adequate policies, or they were unable to upload or release their performance information publicly. OHK urges these companies to adopt international standards, and increase transparency with regard to their policies and practices immediately.

5 OHK's Recommendations

5.1 Recommendations for the HKEx

Since 2013, the HKEx issued its own ESG reporting guide, which recommended companies to disclose their ESG performance. However, after implementing this guide for over three years, 32 per cent of HSI constituents (16 companies) still fell under the 'Unstable' category, while about half underperformed in terms of workplace practices.

The very first step to improve companies' ESG performance is to enhance their transparency. Therefore, OHK recommends that the HKEx should:

- Extend companies' reporting obligations to cover all KPIs in social factors using a 'comply or explain' approach.
- Adopt the GRI G4 Guidelines as the reporting standard so as to be on par with international standards.
- Set a timeline indicating when the HKEx will shift from a 'comply or explain' approach to making ESG reporting mandatory for all companies.

Given the fact that the HKEx is one of the largest stock exchanges in the world, it has enough power to promote and encourage sustainability among listed companies. The HKEx should thus join the SSE initiative and sign the commitment letter to promote sustainable stock exchange.

5.2 Recommendations for HSI Constituents

5.2.1 *Companies should adhere to international reporting standards*

Of all the companies appraised, 34 per cent (17 companies) did not employ any of the GRI's standards. Companies should thus publish stand-alone reports according to international standards (e.g. the GRI G4 Guidelines). These reports will help external stakeholders better understand companies and their approach to ESG issues.

5.2.2 Both the consumer staples and consumer discretionary sectors should make a greater effort to improve their performance with regard to their social and environmental impact, and workplace practices

According to OHK's findings, both the consumer staples and consumer discretionary sectors performed most poorly in the ESG sphere. **There is a strong call for these two sectors to develop relevant policies to address ESG concerns, and release key non-financial information publicly so as to increase transparency.**

5.2.3 Set up procedures and frameworks to prevent the violation of human rights in the workplace and extend them to supply chain partners

With regard to workplace practices and the supply chain, companies should set up procedures and frameworks to prevent the violation of employment and human rights. Top performing companies are all signatories of international standards (e.g. UN Global Compact), and have implemented policies based on these standards. **OHK thus urges companies to openly support international human rights standards and become signatories.**

Companies that do not have policies in place to protect human rights in the workplace should immediately set up and implement such policies. These policies should cover the prevention of harassment and promotion of equal employment opportunities. They should also uphold the freedom of association and the right to collective bargaining, ensure equal pay for equal work, limit working hours and ensure periodic paid holidays, provide paid annual leave and such. Furthermore, **companies should extend their human rights policies to their supply chains.** Companies should implement supplier codes of conduct, conduct periodic supplier assessments and audits, and work with suppliers to make further improvements (e.g. labour rights education programmes).

5.2.4 Companies should develop policies to consult community stakeholders and respond to stakeholders' demands publicly

OHK urges companies to implement policies and procedures so as to ensure regular dialogue with different community stakeholders, and to fully and publicly disclose stakeholders' views and key concerns so as to enhance transparency. In addition, companies should show in greater detail how stakeholder feedback is integrated into the development of new strategies or decisions.

5.2.5 Establish equal employment opportunity policies that recognise the rights of different groups

OHK urges all companies to develop equal employment opportunities that are more stringent than legal requirements. Top performing companies had equal employment opportunity policies that went beyond legal requirements, and prohibited discrimination based on religion and age. Companies should establish policies that encourage diversity in the workplace. Policies should promote the rights of ethnic minorities, people of different age groups and genders at all levels in an organisation (including at the board level).

5.3 Recommendations for Investors

OHK urges investors to take ESG into consideration when making investment decisions. Companies with good ESG performance typically have better reputations, are less of an investment risk and are more socially valuable to society, and can help effectively alleviate poverty. **Investors should consider ESG factors when making investment decisions and follow the United Nations Principles for Responsible Investment (UNPRI) ⁸.**

5.4 Recommendations for Consumers

Consumers have great influence on CSR performance; they should demand more ethical products and services from companies. This involves thinking about the lifecycle of products and services, and the potential for sustainability. OHK believes that by raising public concern, companies will respond with environmental and social initiatives.

⁸ Principles include the following: 1) incorporate ESG issues into investment analysis and decision-making processes, 2) be active owners and incorporate ESG issues into ownership policies and practices, 3) seek appropriate disclosure on ESG issues by the entities in which investors invest, 4) promote acceptance and implementation of the Principles within the investment industry, 5) work together to enhance the effectiveness of implementing the Principles, and 6) report on activities and progress towards implementing the Principles.

Table 1 Companies that Provided Additional Information

1. AIA Group Ltd.
2. Bank of China Ltd.
3. BOC Hong Kong (Holdings) Ltd.
4. Cathay Pacific Airways Ltd.
5. China Merchants Holdings (International) Co. Ltd.
6. China Resources Enterprise Ltd.
7. CNOOC Ltd.
8. Hang Lung Properties Ltd.
9. Hang Seng Bank Ltd.
10. Henderson Land Development Co. Ltd.
11. Hong Kong Exchanges & Clearing Ltd.
12. HSBC Holdings Plc
13. Lenovo Group Ltd.
14. MTR Corporation Ltd.
15. New World Development Co. Ltd.
16. Power Assets Holdings Ltd.
17. Tencent Holdings Ltd.
18. The Bank of East Asia Ltd.
19. The Hong Kong & China Gas Co. Ltd.

Table 2 Core Areas and Indicators

Areas		Indicator
Workplace Practice	Employee Development & Training	<ul style="list-style-type: none"> Employee breakdown by position levels, job type and region. The impact of off-shoring/outsourcing processes, for example statistics on the percentage of casuals or part-time employees that make up the overall workforce. The presence of effective policies and practices to mitigate risk with respect to workplace supply chain partners
	Organisational Culture & Diversity	<ul style="list-style-type: none"> Demonstrated stability in workforce numbers and employee satisfaction. Strategies for improving staff retention. Evidence of initiatives such as paid parental leave, employee health programs, flexible leave and working arrangements, and assistance with obtaining access to childcare facilities. Disclosure of current diversity statistics (age, gender, education levels). Evidence of recruitment and diversity strategies, for example, the distribution of diversity through employee levels and ranks, and the employment and promotion of ethnic minorities. A publicly available EEO policy that formally recognises the rights of, for example, migrant workers, women, pregnant women, and employees with disabilities. No discrimination regarding the employment, promotion or redeployment of workers processes.
	Occupational Health & Safety	<ul style="list-style-type: none"> Publication and monitoring of OH&S targets and objectives Disclosure and evaluation of OH&S performance; Transparency regarding in-house and/or independent audit outcomes.
Environmental Impact	Environmental Policy	<ul style="list-style-type: none"> Disclosure of an environmental policy that demonstrates a proactive commitment to environmental stewardship and sustainability, and indicates an awareness of the issues posed by climate change. Policy extends to all operations, business associates, outsourced agents and the chain of supply.
	Environmental Management System	<ul style="list-style-type: none"> Evidence of an EMS that addresses all environmental risk areas relevant to the organisation such as air, soil, and water pollution, greenhouse gas emissions, energy and water usage, waste, and management of renewable resources that protect biological diversity. Regular monitoring and auditing of the EMS with documented procedures for risk identification, assessment, management, minimisation and restoration. Certification against recognised management systems such as ISO 14001. Regular monitoring and disclosure of emissions (including CO2, CH4, NOx, SOx and other pollutants such as those in wastewater), water and energy usage (fuel type breakdown) across all operations to a recognised standard, including disclosure of historical data and third party verification through annual or sustainability

Areas		Indicator
		<p>reports or company response to the carbon disclosure project (CDP), with the organisation outlining the nature (regulatory vs. voluntary) as well as scope and boundary of disclosure.</p> <ul style="list-style-type: none"> Evidence of quantitative emissions reduction targets and timelines to reduce emissions (including hazardous waste), water and energy usage across all operations with any historical success outlined as part of the organisation's key performance indicators (KPIs), and the organisation regularly reviewing and updating such targets.
		<ul style="list-style-type: none"> Demonstrated commitment to the implementation of programs and strategies to reduce emissions or emissions intensity, and water and energy usage across all operations. Such strategies may include energy efficiency, renewable energy usage, process optimisation, re-use, recycling and offsetting. Benchmarking of the carbon intensity of the organisation across the value chain compared with industry average.
	Sustainability Investing	<ul style="list-style-type: none"> Sustainability investment strategies that take into account the environmental performance or business nature of entities in which the organisation invests, such as acquisitions in renewable companies, capital investments, investment of shareholder funds, superannuation investments, and loans. Investment in pollution abatement, emissions reduction and clean technologies (for instance targeting CO₂, NO_x, SO_x and dust).
	Commitment to Ecologically Sustainable Development	<ul style="list-style-type: none"> Commitment to environmental research and/or development (apparent by level of expenditure on R&D), and the establishment of a formal team or department to drive efforts in this area. Benchmarking of the carbon intensity of the organisation across the value chain compared with industry average Demonstrated willingness to share research, for example with organisation peers and government, to reduce dependency on natural resources. Level of consideration and mitigation strategies of environmental impacts (e.g. impacts on biodiversity, land, emissions) for any new business ventures, acquisitions and expansions. Active participation in community activities to protect biological diversity and ensure the integrity of restoration and conservation projects.
Social Impact	Community Investment	<ul style="list-style-type: none"> The extent to which an organisation provides support in the form of direct financial resources, in-kind support, the sharing of expertise, staff volunteering or an employee giving scheme. Areas of community investment may cover arts and cultural activities, education, sports, community health and welfare, poverty alleviation or occur through philanthropic foundations.
	Human Rights and Supply Chain	<ul style="list-style-type: none"> The provision of clear support for and promotion of internationally accepted human rights standards such as those set out in the United Nations Global Compact and the United Nations Declaration of Human Rights. Implementation of procedures and frameworks to prevent violations of human rights including programmes to develop workforce awareness, minimise risks of discriminatory practices and prevent workplace bullying or harassment, and improvement of human rights performance against any reported violations or weaknesses.

Areas		Indicator
		<ul style="list-style-type: none"> Evidence that human rights standards are central to planning for new and existing projects and extend to the distribution of goods and services in the chain of supply.
	Consumer Rights and Empowerment	<ul style="list-style-type: none"> The availability of charters or policies which disclose important information relevant to consumers, including guidelines for the protection of personal data, and guarantees for recourse where rights are violated. The certification of the organisation's products to recognised national and international safety and quality standards relevant to its industry sector. Clear communication of complaint resolution systems which allow for independent review. Resolution of complaints in a fast and expedient manner.
	Stakeholder Engagement and Reporting	<ul style="list-style-type: none"> Formal procedures to identify and consult with community stakeholders on a non-selective basis. The incorporation of feedback gathered from community stakeholders into planning and decision making processes. Disclosure of key issues and concerns raised by stakeholders in the public domain. The production of a social impact report or statement which is made publicly available. The use of credible guidelines for public reporting (such as the Global Reporting Initiative) which incorporate performance indicators against the expectations of a diverse range of community stakeholders. Verification of social impact performance and data by an independent auditor, or an independent agency is responsible for the verification of the organisation's wider social reporting procedures.
Corporate Governance	Ethical Business Conduct	<ul style="list-style-type: none"> A publicly available statement of the organisation's business principles and values supported by a comprehensive code of conduct or code of ethics that clearly sets out the organisation's requirements for directors and employees. Evidence of frequent promotion and communication of the organisation's standards and requirements across all business units, suppliers, and contractors, and evidence that it monitors and audits performance. Demonstration of the organisation's ethical performance both within the organisation and the wider community, including any awards or recognition for such performance.
	Organisational Structure & Management	<ul style="list-style-type: none"> Publicly available governance charters, policies and terms of reference that clearly set out the composition, procedures and responsibilities of the Board and all established Board subcommittees within the organisation. Evidence of independent and nonexecutive representation on the Board. Public disclosure of the remuneration of Board members. Information on the competency of the Board, Board sub-committees and senior management including qualifications, experience, details of affiliations with management and controlling shareholders, and positions held with other organisations.

Table 3 Companies by Sector

Company Name	Sector	Company Name	Sector
AIA Group Ltd.	Financials	Belle International Holdings Ltd.	Consumer Discretionary
Bank of China Ltd.		Galaxy Entertainment Group Ltd.	
Bank of Communications Co. Ltd.		Li & Fung Ltd.	
BOC Hong Kong (Holdings) Ltd.		Sands China Ltd.	
Cheung Kong Property Holdings Ltd.		China Mengniu Dairy Co. Ltd.	Consumer Staples
China Construction Bank Corporation		China Resources Enterprise Ltd.	
China Life Insurance Co. Ltd.		Hengan International Group Co. Ltd.	
China Overseas Land & Investment Ltd.		Tingyi Cayman Islands Holding Corporation	
China Resources Land Ltd.		Want Want China Holdings Ltd.	Energy
Hang Lung Properties Ltd.		China Shenhua Energy Co. Ltd.	
Hang Seng Bank Ltd.		CNOOC Ltd.	
Henderson Land Development Co. Ltd.		Kunlun Energy Company Ltd.	
Hong Kong Exchanges & Clearing Ltd.		PetroChina Co. Ltd.	Industrials
HSBC Holdings Plc		Cathay Pacific Airways Ltd.	
Industrial and Commercial Bank of China Ltd.		Cheung Kong Hutchison (Holdings) Ltd.	
Link Real Estate Investment Trust		China Merchants Holdings (International) Co. Ltd.	
New World Development Co. Ltd.		CITIC Pacific Ltd.	Information Technology
Ping An Insurance (Group) Co. of China Ltd.		MTR Corporation Ltd.	
Sino Land Co. Ltd.		Lenovo Group Ltd.	Materials
Sun Hung Kai Properties Ltd.		Tencent Holdings Ltd.	
Swire Pacific Ltd.	Sinopec Shanghai Petrochemical Co. Ltd.	Telecommunication Services	
The Bank of East Asia Ltd.	China Mobile Ltd.		
The Wharf (Holdings) Ltd.	China Unicom Hong Kong Ltd.	Utilities	
	China Resources Power Holdings Co. Ltd.		
	CLP Holdings Ltd.		
	Power Assets Holdings Ltd.		
	The Hong Kong & China Gas Co. Ltd.		

Table 4 Overall Rating

Rank	Company Name (stock code)	Overall Rating	Rank	Company Name (stock code)	Overall Rating
1	Swire Pacific Ltd. (0019)	Reliable	26	Cheung Kong Hutchison (Holdings) Ltd. (0001)	Satisfactory
2	MTR Corporation Ltd. (0066)	Reliable	27	New World Development Co. Ltd. (0017)	Satisfactory
3	HSBC Holdings Plc (0005)	Reliable	28	Tencent Holdings Ltd. (0700)	Satisfactory
4	CLP Holdings Ltd. (0002)	Reliable	29	China Life Insurance Co. Ltd. (2628)	Satisfactory
5	Lenovo Group Ltd. (0992)	Reliable	30	The Bank of East Asia Ltd. (0023)	Satisfactory
6	Cathay Pacific Airways Ltd. (0293)	Reliable	31	Link Real Estate Investment Trust (0823)	Satisfactory
7	Hong Kong Exchanges & Clearing Ltd. (0388)	Reliable	32	Bank of Communications Co. Ltd. (3328)	Satisfactory
8	Power Assets Holdings Ltd. (0006)	Reliable	33	China Resources Power Holdings Co. Ltd. (0836)	Satisfactory
9	Hang Seng Bank Ltd. (0011)	Reliable	34	China Resources Enterprise Ltd. (0291)	Satisfactory
10	BOC Hong Kong (Holdings) Ltd. (2388)	Reliable	35	Sinopec Shanghai Petrochemical Co. Ltd. (0386)	Unstable
11	Hang Lung Properties Ltd. (0101)	Reliable	36	Ping An Insurance (Group) Co. of China Ltd. (2318)	Unstable
12	China Mobile Ltd. (0941)	Reliable	37	China Unicom Hong Kong Ltd. (0762)	Unstable
13	Sun Hung Kai Properties Ltd. (0016)	Reliable	38	China Resources Land Ltd. (1109)	Unstable
14	China Overseas Land & Investment Ltd. (0688)	Satisfactory	39	Want Want China Holdings Ltd. (0151)	Unstable
15	Bank of China Ltd. (3988)	Satisfactory	40	CITIC Pacific Ltd. (267)	Unstable
16	Li & Fung Ltd. (0494)	Satisfactory	41	Cheung Kong Property Holdings Ltd. (1113)	Unstable
17	The Hong Kong & China Gas Co. Ltd. (0003)	Satisfactory	42	China Mengniu Dairy Co. Ltd. (2319)	Unstable
18	Sino Land Co. Ltd. (0083)	Satisfactory	43	Sands China Ltd. (1928)	Unstable
19	Henderson Land Development Co. Ltd. (0012)	Satisfactory	44	Galaxy Entertainment Group Ltd. (0027)	Unstable
20	Industrial and Commercial Bank of China Ltd. (1398)	Satisfactory	45	China Merchants Holdings (International) Co. Ltd. (0144)	Unstable
21	The Wharf (Holdings) Ltd. (0004)	Satisfactory	46	Hengan International Group Co. Ltd. (1044)	Unstable
22	China Construction Bank Corporation (0939)	Satisfactory	47	AIA Group Ltd. (1299)	Unstable
23	PetroChina Co. Ltd. (857)	Satisfactory	48	Tingyi Cayman Islands Holding Corporation (0322)	Unstable
24	China Shenhua Energy Co. Ltd. (1088)	Satisfactory	49	Belle International Holdings Ltd. (1880)	Unstable
25	CNOOC Ltd. (0883)	Satisfactory	50	Kunlun Energy Company Ltd. (0135)	Unstable

Table 5 Companies' Ratings by Core Areas

Sector	No. of Companies	Corporate Governance	Social Impact	Environmental Impact	Workplace Practices	Overall Rating
Information Technology	2	Reliable	Satisfactory	Satisfactory	Satisfactory	Reliable
Energy	4	Reliable	Unstable	Unstable	Unstable	Satisfactory
Financials	23	Reliable	Satisfactory	Satisfactory	Satisfactory	Satisfactory
Industrials	4	Reliable	Satisfactory	Satisfactory	Satisfactory	Satisfactory
Materials	1	Satisfactory	Satisfactory	Unstable	Unstable	Satisfactory
Telecommunication Services	2	Reliable	Satisfactory	Satisfactory	Unstable	Satisfactory
Utilities	5	Reliable	Satisfactory	Satisfactory	Satisfactory	Satisfactory
Consumer Discretionary	4	Satisfactory	Unstable	Unstable	Unstable	Unstable
Consumer Staples	5	Satisfactory	Unstable	Unstable	Unstable	Unstable
Total	50	Reliable	Satisfactory	Satisfactory	Unstable	Satisfactory

Table 6 Type of Reporting

Use of Credible Guidelines for Reporting	Number of Companies	% of Companies
GRI G4	24	48
GRI G3.1	9	18
None or no reporting	17	34

Table 7 Workplace Practice Rating

Company Name	Overall Rating	Company Name	Overall Rating
CLP Holdings Ltd.	Reliable	The Bank of East Asia Ltd.	Satisfactory
MTR Corporation Ltd.	Reliable	Link Real Estate Investment Trust	Unstable
Swire Pacific Ltd.	Reliable	China Construction Bank Corporation	Unstable
HSBC Holdings Plc	Reliable	Bank of Communications Co. Ltd.	Unstable
Hong Kong Exchanges & Clearing Ltd.	Reliable	China Resources Enterprise Ltd.	Unstable
Cathay Pacific Airways Ltd.	Reliable	Tencent Holdings Ltd.	Unstable
Hang Seng Bank Ltd.	Reliable	Cheung Kong Hutchison (Holdings) Ltd.	Unstable
Lenovo Group Ltd.	Reliable	China Resources Power Holdings Co. Ltd.	Unstable
Power Assets Holdings Ltd.	Reliable	Want Want China Holdings Ltd.	Unstable
Sun Hung Kai Properties Ltd.	Reliable	China Resources Land Ltd.	Unstable
Hang Lung Properties Ltd.	Satisfactory	Sinopec Shanghai Petrochemical Co. Ltd.	Unstable
Henderson Land Development Co. Ltd.	Satisfactory	China Life Insurance Co. Ltd.	Unstable
Sino Land Co. Ltd.	Satisfactory	Galaxy Entertainment Group Ltd.	Unstable
The Hong Kong & China Gas Co. Ltd.	Satisfactory	China Mengniu Dairy Co. Ltd.	Unstable
BOC Hong Kong (Holdings) Ltd.	Satisfactory	Ping An Insurance (Group) Co. of China Ltd.	Unstable
China Overseas Land & Investment Ltd.	Satisfactory	CITIC Pacific Ltd.	Unstable
CNOOC Ltd.	Satisfactory	China Unicom Hong Kong Ltd.	Unstable
PetroChina Co. Ltd.	Satisfactory	Cheung Kong Property Holdings Ltd.	Unstable
The Wharf (Holdings) Ltd.	Satisfactory	China Merchants Holdings (International) Co. Ltd.	Unstable
Bank of China Ltd.	Satisfactory	Sands China Ltd.	Unstable
China Shenhua Energy Co. Ltd.	Satisfactory	Hengan International Group Co. Ltd.	Unstable
China Mobile Ltd.	Satisfactory	Kunlun Energy Company Ltd.	Unstable
Industrial and Commercial Bank of China Ltd.	Satisfactory	Belle International Holdings Ltd.	Unstable
Li & Fung Ltd.	Satisfactory	Tingyi Cayman Islands Holding Corporation	Unstable
New World Development Co. Ltd.	Satisfactory	AIA Group Ltd.	Unstable

Table 8 Environmental Impact Rating

Company Name	Overall Rating	Company Name	Overall Rating
MTR Corporation Ltd.	Reliable	New World Development Co. Ltd.	Satisfactory
HSBC Holdings Plc	Reliable	Tencent Holdings Ltd.	Unstable
Lenovo Group Ltd.	Reliable	China Merchants Holdings (International) Co. Ltd.	Unstable
CLP Holdings Ltd.	Reliable	China Resources Power Holdings Co. Ltd.	Unstable
Swire Pacific Ltd.	Reliable	Sinopec Shanghai Petrochemical Co. Ltd.	Unstable
Cathay Pacific Airways Ltd.	Reliable	Cheung Kong Hutchison (Holdings) Ltd.	Unstable
Power Assets Holdings Ltd.	Reliable	China Life Insurance Co. Ltd.	Unstable
BOC Hong Kong (Holdings) Ltd.	Reliable	Ping An Insurance (Group) Co. of China Ltd.	Unstable
China Mobile Ltd.	Reliable	CITIC Pacific Ltd.	Unstable
Li & Fung Ltd.	Reliable	Sands China Ltd.	Unstable
Hang Lung Properties Ltd.	Satisfactory	The Bank of East Asia Ltd.	Unstable
The Hong Kong & China Gas Co. Ltd.	Satisfactory	Link Real Estate Investment Trust	Unstable
Bank of China Ltd.	Satisfactory	China Resources Enterprise Ltd.	Unstable
Sun Hung Kai Properties Ltd.	Satisfactory	China Unicom Hong Kong Ltd.	Unstable
Hang Seng Bank Ltd.	Satisfactory	China Mengniu Dairy Co. Ltd.	Unstable
Hong Kong Exchanges & Clearing Ltd.	Satisfactory	Want Want China Holdings Ltd.	Unstable
China Overseas Land & Investment Ltd.	Satisfactory	China Resources Land Ltd.	Unstable
Sino Land Co. Ltd.	Satisfactory	Cheung Kong Property Holdings Ltd.	Unstable
The Wharf (Holdings) Ltd	Satisfactory	Bank of Communications Co. Ltd.	Unstable
Henderson Land Development Co. Ltd.	Satisfactory	Tingyi Cayman Islands Holding Corporation	Unstable
China Shenhua Energy Co. Ltd.	Satisfactory	Galaxy Entertainment Group Ltd.	Unstable
PetroChina Co. Ltd.	Satisfactory	AIA Group Ltd.	Unstable
Industrial and Commercial Bank of China Ltd.	Satisfactory	Hengan International Group Co. Ltd.	Unstable
CNOOC Ltd.	Satisfactory	Kunlun Energy Company Ltd.	Unstable
China Construction Bank Corporation	Satisfactory	Belle International Holdings Ltd.	Unstable

Table 9 Social Impact rating

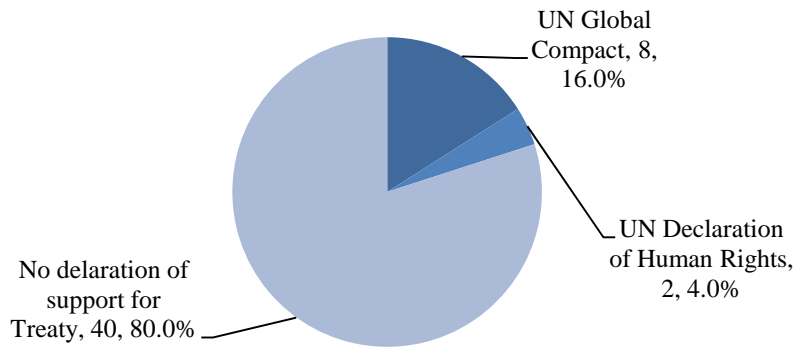
Company Name	Overall Rating	Company Name	Overall Rating
Swire Pacific	Reliable	Bank of East Asia	Satisfactory
HSBC	Reliable	Bank of Communications	Satisfactory
Lenovo Group	Reliable	Tencent	Satisfactory
Cathay Pacific Airways	Reliable	PetroChina	Satisfactory
CLP Holdings	Reliable	Link Real Estate Investment Trust	Satisfactory
China Mobile	Reliable	New World Development	Satisfactory
MTR Corporation	Reliable	CNOOC	Satisfactory
Hong Kong Exchanges and Clearing Ltd.	Reliable	China Resources Enterprise	Satisfactory
Power Assets	Reliable	Sinopec Shanghai Petrochemical	Satisfactory
China Overseas Land & Investment	Reliable	China Resources Land	Satisfactory
Hang Seng Bank	Reliable	Ping An Insurance	Unstable
Li & Fung	Reliable	China Unicom	Unstable
BOC Hong Kong	Reliable	Sands China	Unstable
China Life Insurance	Satisfactory	China Resources Power	Unstable
Sun Hung Kai Properties	Satisfactory	Cheung Kong Property	Unstable
China Construction Bank	Satisfactory	China Mengniu Dairy	Unstable
Industrial and Commercial Bank of China	Satisfactory	Want Want China	Unstable
Sino Land	Satisfactory	CITIC Pacific	Unstable
The Hong Kong & China Gas	Satisfactory	Galaxy Entertainment	Unstable
Hang Lung Properties	Satisfactory	Hengan International Group	Unstable
Bank of China	Satisfactory	Belle International	Unstable
Henderson Land Development	Satisfactory	AIA Group	Unstable
Cheung Kong Hutchison	Satisfactory	Tingyi	Unstable
China Shenhua Energy	Satisfactory	China Merchants	Unstable
The Wharf	Satisfactory	Kunlun Energy	Unstable

Table 9.1 Community Investment

	Number of Companies	% of Companies
Support in the form of direct financial resources, in-kind support, the sharing of expertise, staff volunteering or employee giving schemes	50	100
Community investment including through philanthropic foundations	50	100

Table 9.2 Human Rights Related Statistics

Number of Companies that Declared Support for International Human Rights Treaties



Implementation of Procedures and Frameworks to Prevent Violation of Human Rights

	Number of Companies	% of Companies
Yes	20	40
None	30	60

Procedures and Frameworks that Prevent Human Rights Violations in the Supply Chain

	Number of Companies	% of Companies
Apply to planning for new and existing projects and extend to the chain of supply	28	56
None	22	44

Table 9.3 Number of Companies with Stakeholder Engagement Procedures

	Number of Companies	% of Companies
No formal procedure	16	32
Have formal procedures to identify and consult community stakeholders, and disclose key issues and concerns raised by stakeholders in public domain	16	32
Only have formal procedures to identify stakeholders' feedback, but not disclosed in public domain	18	36

Table 10 Equal Employment Opportunity Statistics

	Number of Companies	% of Companies
No equal employment opportunity policy in place	24	48
Implemented equal employment opportunity policies that recognise the rights of different groups	16	32

Table 11 Corporate Governance Rating

Company Name	Overall Rating	Company Name	Overall Rating
MTR Corporation Ltd.	Reliable	New World Development Co. Ltd.	Reliable
Hong Kong Exchanges and Clearing Ltd.	Reliable	The Hong Kong & China Gas Co. Ltd.	Reliable
CLP Holdings Ltd.	Reliable	Henderson Land Development Co. Ltd.	Reliable
Swire Pacific Ltd.	Reliable	China Life Insurance Co. Ltd.	Reliable
HSBC Holdings Plc	Reliable	Sun Hung Kai Properties Ltd.	Reliable
Industrial and Commercial Bank of China Ltd.	Reliable	Cheung Kong Property Holdings Ltd.	Reliable
Cheung Kong Hutchison (Holdings) Ltd.	Reliable	Ping An Insurance (Group) Co. of China Ltd.	Reliable
Lenovo Group Ltd.	Reliable	The Bank of East Asia Ltd.	Reliable
Cathay Pacific Airways Ltd.	Reliable	Link Real Estate Investment Trust	Reliable
Bank of China Ltd.	Reliable	Bank of Communications Co. Ltd.	Reliable
BOC Hong Kong (Holdings) Ltd.	Reliable	China Shenhua Energy Co. Ltd.	Satisfactory
Power Assets Holdings Ltd.	Reliable	China Resources Power Holdings Co. Ltd.	Satisfactory
AIA Group Ltd.	Reliable	CITIC Pacific Ltd.	Satisfactory
China Construction Bank Corporation	Reliable	Galaxy Entertainment Group Ltd.	Satisfactory
Hang Lung Properties Ltd.	Reliable	Hengan International Group Co. Ltd.	Satisfactory
Hang Seng Bank Ltd.	Reliable	China Resources Enterprise Ltd.	Satisfactory
CNOOC Ltd.	Reliable	Sinopec Shanghai Petrochemical Co. Ltd.	Satisfactory
China Mobile Ltd.	Reliable	Want Want China Holdings Ltd.	Satisfactory
Li & Fung Ltd.	Reliable	China Resources Land Ltd.	Satisfactory
China Unicom Hong Kong Ltd.	Reliable	China Merchants Holdings (International) Co. Ltd.	Satisfactory
PetroChina Co. Ltd.	Reliable	Sands China Ltd.	Satisfactory
Tencent Holdings Ltd.	Reliable	China Mengniu Dairy Co. Ltd.	Satisfactory
The Wharf (Holdings) Ltd.	Reliable	Belle International Holdings Ltd.	Satisfactory
Sino Land Co. Ltd.	Reliable	Tingyi Cayman Islands Holding Corporation	Satisfactory
China Overseas Land & Investment Ltd.	Reliable	Kunlun Energy Company Ltd.	Satisfactory