Hong Kong Institute of CPAs

Best Corporate Governance and ESG Awards 2022

Judges' Report

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

2022最佳企業管治及ESG大獎
Best Corporate Governance and ESG Awards

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2022最佳企業管治及ESG大獎
Best Corporate Governance and ESG Awards

Most Sustainable Companies/ Organizations Awards

Hang Seng Index Category

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

Non-Hang Seng Index (Large Market Capitalization) Category

Platinum	Prudential plc
Special Mention	Standard Chartered PLC

Non-Hang Seng Index (Medium Market Capitalization) Category

Platinum	The Hongkong and Shanghai Hotels, Limited
Gold	Pacific Basin Shipping Limited
Gold	VTech Holdings Limited

H-share Companies and Other Mainland Enterprises Category

Gold	Lenovo Group Limited

2022最佳企業管治及ESG大獎
Best Corporate Governance and ESG Awards

Corporate Governance Awards

Non-Hang Seng Index (Large Market Capitalization) Category

Special Mention	Chow Tai Fook Jewellery Group Limited

Non-Hang Seng Index (Medium Market Capitalization) Category

Special Mention	Hysan Development Company Limited
Special Mention	NWS Holdings Limited

Non-Hang Seng Index (Small Market Capitalization) Category

Special Mention	Sa Sa International Holdings Limited

H-share Companies and Other Mainland Enterprises Category

Award	AAC Technologies Holdings Inc.
Special Mention	China Everbright Greentech Limited

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

Award	Securities and Futures Commission

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

Special Mention	Mandatory Provident Fund Schemes Authority

2022最佳企業管治及ESG大獎
Best Corporate Governance and ESG Awards

ESG Awards

Hang Seng Index Category

Award	The Hong Kong and China Gas Company Limited
Special Mention	New World Development Company Limited*

Non-Hang Seng Index (Large Market Capitalization) Category

Award	Swire Pacific Limited
Award	Swire Properties Limited

Non-Hang Seng Index (Medium Market Capitalization) Category

Award	Hang Lung Group Limited
Award	Vitasoy International Holdings Limited
Special Mention	Shui On Land Limited*

H-share Companies and Other Mainland Enterprises Category

Special Mention	COSCO SHIPPING Ports Limited

Self-Nomination Awards

Commendation on Progress in ESG Practices	Baguio Green Group Limited*

* New awardee

Introduction

Background

The Hong Kong Institute of Certified Public Accountants is proud to be organizing the Best Corporate Governance and ESG Awards (“Awards” or “Best CG & ESGA”), previously known as Best Corporate Governance Awards, which were launched in 2000. The Awards were renamed and refocused in 2021 in order to reflect the increasing importance of effective environmental, social and governance (“ESG”) reporting and practices, in addition to good CG, for listed companies and public sector / not-for-profit organizations, and their investors and stakeholders.

The Awards focus on the need for companies[1] to achieve high standards of both CG and ESG, and to encourage them to integrate these two aspects of their performance.

The Awards are seen as being an objective and rigorous assessment of the CG and ESG practices, information disclosure and culture of listed companies of all different sizes, and in various different sectors. It is pleasing to see, therefore, that, over the years, the winners have consistently regarded their awards as a significant achievement and accolade.

This year, there were four main types of awards:

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

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

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

Objective

The Awards aim to (i) encourage companies to focus on both CG and ESG, and to integrate these two aspects into their strategy and operations to support their long-term sustainability, (ii) establish benchmarks of overall sustainability, CG and ESG best practice in Hong Kong and (iii) encourage more companies to refer to those benchmarks and improve their own overall sustainability, CG and ESG standards. Primarily through disclosures in annual reports and sustainability reports2, the reviewers and judges seek to identify those companies that have firmly established good governance and sustainable practices.

Categories and Judging Criteria

Candidates contest the above awards in the following categories:

- Listed companies

Main Board

- ❖ Hang Seng Index ("HSI")-constituent companies

Main Board or Growth Enterprise Market ("GEM")

- ❖ Non-HSI-constituent large, medium and small companies
- ❖ H-share companies and other Mainland enterprises[3]

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

For candidates being considered for the short lists in the listed company categories above, a compliance review is also conducted, including an assessment of the transparency and presentation of compliance-related information.

The reviewers and judges may also take into account other relevant publicly available information relating to companies.

Final decisions lie with the judges. In the event that the judges are unable to find entries of sufficient merit, they may decide not to give out certain awards.

[2] The term "sustainability report" is used generally for reports that some companies may call by other names, e.g. "corporate social responsibility" or "social responsibility" report.

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

Reviewing and Judging Procedures 2022

This year, the Institute's initial screening covered over 300 annual reports and the same number of sustainability reports.

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

The work of the reviewers included the following:

1. MSCO Awards

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

2. CG review

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

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

3. ESG review

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

4. Self-Nomination Awards

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

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

Reviewing and Judging Considerations

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

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

Commentaries

General Observations in 2022

1. The MSCO Awards, which were introduced last year, continued to be our main focus, although it remains a challenge to identify a stream of new potential awardees with outstanding performance in both CG and ESG, and which are starting to integrate these elements into their values, strategies and operations. Most of the winners in this section are familiar names that have continued to raise their game as the minimum required standards have been raised from year to year.

2. As regards the separate awards for CG and ESG, it should be clarified that winning an award in either of these sections does not necessarily imply that the winning companies and organizations have the best overall CG or ESG among their peers. The very best performers in most of the categories are likely to have gone through to the MSCO section of the Awards.

   The processes involved to reach the final stages, including for CG or ESG Awards, are rigorous. All the candidates needed to go through a filtering process, encompassing an initial vetting exercise followed by two rounds of detailed reviews of their CG and ESG, before being short-listed for the judges. At this point, while the candidates with the best performances in both areas were short-listed under the MSCO Awards, those performing well in only one of these areas were put forward into the CG or ESG Awards. In some categories, the judges considered that no candidate, or only a single candidate, was able to achieve the requisite standard. Where a candidate short-listed in the MSCO Awards was deemed not to have met the necessary criteria in this section, it might instead beconsidered for a separate CG or ESG Award.

3. This year, once again, the process of updating the assessment criteria continued:

   a. The CG checklist took into account the latest changes in the CG Code. These changes became mandatory requirements for listed companies starting from 1 January 2022, including -

      - whether mechanisms are in place to ensure independent views are available to the board
      - if an INED has served the board for more than nine years, an explanation should be given as to why the board (or the nomination committee) believes that the director is still independent and should be re-elected, including the factors considered, the process and the discussion of the board (or the nomination committee) in arriving at such determination
      - aligning the company's culture with its purpose, values and strategy
      - whether anti-corruption and whistleblowing policies have been established

   b. The ESG checklist was also updated, with the emphasis given to targets and whether an entity has explained the changes in relevant data over the years. While the disclosure requirements in the exposure drafts issued by the International Sustainability Standards Board[4] formed a backdrop to this year's Awards, they are unlikely to be finalized until 2023, so it was considered premature to draw specific reference from them.

[4] Exposure Draft and comment letters: General Sustainability-related Disclosures, and Exposure Draft and comment letters: Climate-related Disclosures

4. General observations made by the judges include the following:

- A growing number of companies acknowledged the importance of ESG practices and are taking steps to introduce new ESG initiatives and targets, and integrate ESG into their business strategy and operations. This is a positive move and evidence that companies are recognizing that taking on board ESG considerations is indispensable for their long-term value creation and continued success.
- Most of the better-performing candidates engaged external independent consultants for assurance of some of their key ESG information. They also presented their CG and ESG information in a comprehensible manner, supported by visual aids, such as infographics and summary tables.
- There was substantial enhancement in ESG-related disclosures among the short-listed candidates. As the pursuit of a lower-carbon future has been high on the global corporate and political agendas, and ESG practices are increasingly being subject to regulatory scrutiny, one of the most notable areas of improved disclosure among listed companies is climate-related risk. Another encouraging trend is the establishment of quantitative key performance indicators ("KPIs") by companies to track and monitor their ESG performance, which enhances the transparency and credibility of sustainability information.
- However, Hong Kong is still below where it should be at this stage in terms of its CG progress and development, as performances overall appear to have plateaued. It has been observed that Hong Kong has some of Asia's strongest investor protection rules yet remains excessively cautious about modernizing board governance. Family businesses and concentrated ownership seemed to impede CG development. The Institute has for some time advocated the setting up of a high-level "Corporate Governance Policy Unit" to lead and coordinate policy formulation for a strong CG framework, and suggested that there needs to be a discussion among stakeholders as to the overarching objectives that should drive the development of the Hong Kong market[5].
- In terms of specifics, there seems to be slow progress on board refreshment in many of the companies, including some companies that are among the better performers generally, although things are improving gradually. A number of boards have a substantial proportion of long-serving NEDs and INEDs with a higher average age, and the number of female directors, overall, is still low and quite static in Hong Kong. In extreme cases, it was noted that board members may serve on the same board for decades, being designated as INEDs after having served as EDs and NEDs.

[5] Report on Improving Corporate Governance in Hong Kong (2017)

- Understandably, there may be a reluctance for boards of family businesses to step out of their comfort zone, but in the long run facilitating a greater diversity of viewpoints can improve the sustainable development of the business. In addition, a question mark hangs over the true independence of INEDs who stay on boards for many years, which is why the CG Code (Provision B.2.3) has recently been changed to require an explanation, in papers provided to shareholders, of why a particular INED is still believed to be independent after serving over 9 years. We would recommend that such information also be provided in annual reports, to provide users with a better understanding of companies' governance and culture. This information could include, for example, reference to any unique and positive contribution to the board/ company that a particular long-serving INED continues to make and why this presents challenges when trying to identify an effective replacement. That said, bringing fresh INEDs onto a board, and expanding its diversity, offers opportunities for entirely new perspectives to be considered, which can clearly be an advantage in a dynamic business environment with markets that continue to develop and evolve often in new and unexpected directions.
- INEDs are often expected to bring an independent view to board discussions and strategy oversight. However, in Hong Kong, in practice, they are often appointed by and accountable to the controlling shareholders, families, and nomination committees that they are intended to supervise. These directors also do not typically engage with shareholders as often as they would in other markets in the region, so it can be challenging for investors to share their interests with the board, especially when those interests may differ from those of executives and non-independent representatives. We would encourage more companies to show leadership by incorporating a lead INED or accessible independent chairman into their governance structure.
- Hong Kong has continued to lag behind other major financial and commercial centres regarding board diversity, which is why The Stock Exchange of Hong Kong Limited ("the Exchange") has also recently changed the Listing Rules to require companies with "single gender" boards to appoint at least one director of a different gender by 31 December 2024. With ESG being an important element considered by many investors in making investment decisions, and also by other stakeholders that have an interest in seeing businesses being run in a sustainable manner, we believe that, increasingly, companies will be held accountable on all matters related to diversity and gender representation. Meanwhile, we believe that gender diversity on boards can encourage better leadership, better CG and ultimately increase corporate performance and competitiveness, which benefits both companies and their shareholders.

5. In addition to the above observations, judges considered companies could still do more in terms of:
   - accelerating the board refreshment process. It seems to be rare for the companies to discuss succession planning in their annual reports. With the need to justify retaining INEDs after serving nine years, companies should indicate steps that they will be taking to refresh the board progressively;
   - setting out measurable objectives under their board diversity policy;
   - disclosing more details of the annual review of the risk management and internal control system. While there may be a balance to be struck between being more transparent with readers of the annual report and disclosing operational information that could be sensitive, pertinent information could be generalized or summarized and remain useful;

- enhancing independent leadership in the board by considering the appointment of a lead independent director if the chairman is a non-independent director;
- maintaining a reasonable and manageable board size. While there is no standard definition of what is "reasonable", an overly large size may become unwieldy and reduce the effectiveness of board operations and communication;
- establishing quantitative KPIs under different ESG initiatives. While it is encouraging to see more companies incorporating ESG targets, qualitative targets are still quite common, e.g. merely indicating an intention to reduce resource usage without measurable targets, making it difficult for readers to track progress;
- disclosing information about targets and outcomes that contribute towards determining executive remuneration. It was observed that the majority of the companies and PSOs, in general, disclose only that their overall operational situation and the individuals' performance will be considered when devising incentive packages, without further details; and
- disclosing more information about the rationale for appointments and grounds for the resignation of directors. Although such information should have been published in separate circulars, this should also be disclosed in annual reports, to provide readers with a more complete picture about changes in the board during the year and the reasons therefor. Public sector organizations also need to be more transparent about this process, particularly given that many of these organizations are partly or wholly funded by public monies.

6. From the above, it is may be understood why the highest level of the MSCO Awards remain aspirational, as the journey to achieving the highest standards of CG and ESG and integrating them into a company's values, strategy and operations is not straightforward, and takes time. Despite this, among the main objectives of the MSCO Awards are to identify companies that demonstrate a clear commitment to embarking on that journey, and to draw the attention of other companies to what may also be expected of them in the future.

7. The judges were pleased to be able to give out 27 awards in total, including a number of MSCO Awards, and separate awards for CG and ESG.

8. The same rigorous assessment processes were maintained as in the past. While the companies' annual and sustainability reports remained the main source of information for the assessments, the reviewers and judges also considered other publicly-available information about individual entities, such as media reports from reliable sources and public perceptions that may have a bearing on those companies' CG or ESG practices, and how any relevant issues were being addressed. The purpose is to ensure that a company's words and actions are fully aligned with each other.

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

10. Several applications were received this year for the Self-Nomination Awards, aimed at small cap companies and public sector/ not-for-profit organizations. The quality of applications showed improvement over last year. Instead of generally copying and pasting contents from their annual or sustainability reports to the application forms, most of the applicants were able to provide meaningful information and tried to explain their good practices and improvements. That being said, in the majority of the cases, the practices that they highlighted did not seem to go much beyond the minimum regulatory requirements. The main focus of the Self-Nomination Awards, as well as other categories of awards, is on practices that clearly exceed the minimum requirements. This is a key factor in drawing up a short list of candidates for the next stage and a possible meeting/ interview.

    After reviewing the applications, one small cap company stood out as a possible candidate for an award. Representatives of that organization were invited to attend a meeting/ interview with a small panel of reviewers and judges to give them the opportunity to explain some of the organization's CG and ESG developments in more detail and to enable the panel to raise questions. Following the meeting, which was held virtually, and a discussion among the panel, it was decided to recommend giving an award to the company, and this was endorsed by the judges. Please refer to p.70-71 for more information.

11. Board diversity research

    The Institute embarked on a brief research on the board diversity status of all listed companies whose financial year ended at 31 December 2021, which number in total 1,936 companies. Amongst the research areas, we looked at board size, long-serving INEDs, and diversity in terms of gender, age, and professional qualifications, in particular qualified accountants. This research was performed in the belief that an effective board, from both the CG and ESG perspectives, is critical to a company's ability to deal with a rapidly changing business environment, and to establishing the vision and culture of the company that should cascade down to senior management and to front line staff. It is also a prerequisite for companies to be able to meet the expectations of their stakeholders, including regulators and investors. It was also conducted in the knowledge that the Exchange has recently enhanced CG standards; among the changes, existing listed companies with single gender boards will be mandated to appoint a director of a different gender no later than 31 December 2024 and listing applicants with single gender boards will no longer be approved after July 2022.

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

1. While it was somewhat disappointing, it was also not very surprising to find that all the MSCO awardees were previous award winners. As noted earlier, the MSCO Awards are a step above the separate CG and ESG Awards that were the focus of this competition prior to 2021. As the bar is raised for all companies, the MSCO candidates are often early adopters and may already be applying practices that exceed the new requirements. To earn recognition in this section of the Awards, boards must understand and appreciate the fundamentals of a sustainable company and must be committed to achieving them.

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

2. Against the background of the focus by the government on achieving carbon neutrality by 2050, backed by a regulatory push towards more extensive ESG disclosures and pressure from institutional investors, including the asset management industry, for more sustainable investments, a record number of candidates made it through to both the review and the final judging stages in the separate awards for ESG. That said, some common strengths and weaknesses were identified:

Strength	Weakness
1. More companies were able to establish clearer connections between their ESG vision, strategy and action plans. Summaries at the beginning of the relevant reports, often in the form of tables or diagrams, set the scene for further detailed discussions in the later sections of the report. This helped readers to further navigate the content of the reports.	1. Most companies' reports tended to be positive. While some unfavourable statistics might be disclosed, the explanations for the changes may not be sufficient. For example, some companies which had demonstrated progressive, positive achievements in previous years, might suddenly have regressed in 2021, without providing a clear explanation for the deterioration in results.
2. More companies were able to establish quantitative KPIs, e.g. carbon emissions, water and energy usage, etc. This helped to give readers greater assurance about the companies' commitments.	2. More information could be disclosed about how these KPIs were established, and where new quantitative targets were provided, about whether the original KPIs had already been met. More explanations should also be provided as to why particular targets had not been achieved, instead of merely putting forward measures that would be implemented to meet the targets. Although more companies disclosed targets to help achieve their ESG vision and strategies, many targets were still qualitative, particularly on the "social" aspects (i.e., the "S" in "ESG"). Stakeholders could find it hard to track whether companies were making real progress in this regard.

3. An increasing number of companies were incorporating ESG-related risks, including climate risks, into their risk management and internal control framework, including an analysis of overall trends, impacts and the mitigating measures. In the past, these risks would often be disclosed only in sustainability reports, but more companies were including these in their risk reports in their annual reports as well. This reflects the fact that many ESG-related risks can no longer be considered in isolation from other strategic, financial, operational and compliance risks.	3. The adoption of ESG assurance was still rare among companies, except for the better performing candidates, which tended to engage external independent consultants to assure different elements of their ESG information. While obtaining assurance adds to companies' costs and, potentially, the time they need to devote to compiling and checking the accuracy of their data, obtaining assurance, especially when carried out by qualified accountants, using quite rigorous benchmarks, helps enhance the creditability of sustainability reports. It can also help to dispel any concerns about "greenwashing". Among those companies that engaged third party assurers, the scope of information being assured, the level of assurance, the benchmark(s) referred to, as well as the format of the assurance reports, could all vary, depending on the kind of assurer engaged and the assurer's background and practices. This could be confusing to readers. In future, it is expected that there will be moves toward more universal sustainability disclosure standards, issued by the International Sustainability Standards Board ("ISSB"). This may also encourage more companies to seek assurance for their sustainability reports, and for the type of assurance offered to coalesce around the ISSB disclosure standards. However, this may yet take some time, as the first standards to be issued by the ISSB are not likely to be released until 2023.
4. There was again a reasonable coverage of the stakeholder engagement process and materiality matrices, as well as analyses of stakeholders' concerns and how these concerns had been/ were being addressed. For the latter, there seemed to be a trend for readers to be referred to particular sections of reports for further information. As an individual section could extend to 20 or 30 pages, it would be better if the relevant page numbers could be cross-referenced to facilitate tracking of the relevant information.	

5. There is a well-established trend of adopting international standards, including those of the Global Reporting Initiative ("GRI") and the recommendations of the TCFD, and the United Nations Sustainable Development Goals ("UNSDGs"), in addition to simply fulfilling the requirements of the ESG Reporting Guide.	

3. The judges did not find the same degree of continuing progress for companies competing for the separate CG Awards. The number of candidates short-listed for the judges seems to have plateaued. It could be that, with the regulatory focus shifting more towards ESG in recent years, more resources have been allocated to deal with the ESG agenda. However, CG and ESG are very much independent. Furthermore, the latest changes announced by the Exchange concern CG, as well as the linkage between the CG Code and the ESG Reporting Guide. As mentioned above, the CG assessment criteria for the Awards were updated to incorporate the latest changes which, for the reporting year under review, were, in effect, best practices and not yet mandatory. However, a few companies had taken these changes on board at this stage.

   Indeed, as in the past few years, there were recurring areas where improvements need to be made. These include the following:

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

   b. As noted elsewhere, where an INED has served his or her board for more than nine years, additional information should be made available to explain why the board (or the nomination committee) believes that the director is still independent and should be re-elected. In most cases, however, no such information was provided. A few companies tried to rationalize their re-appointments of long-serving INEDs with boilerplate statements. It needs to be reiterated that this is an important area, as the reappointment of long-serving INEDs to the board, particularly where there are several may impact the perception and the reality of board independence, and affect the confidence of shareholders.

      As disclosure of explanatory information will become a mandatory requirement under the CG Code starting from companies' 2022 annual reports, the focus will shift to the quality of the explanations for re-appointing long-serving directors. This will be especially important, as, in practice, these directors are often appointed by and accountable to controlling shareholders, families, and the nomination committees that they are intended to monitor.

   c. While it has become the norm for companies to put in place board diversity policies, as required under Appendix 14, not many companies disclosed and explained numerical targets and timelines set for achieving diversity, including gender diversity, on their boards, or any measures adopted to identify potential successors to the board to achieve more diversity. In future, targets and timelines on diversity will need to be reported. It is hoped that this information will be disclosed in a clear and easily accessible manner, e.g., summarized in a table for ease of reference.

d. Many companies tend to obtain a general mandate from their shareholders to issue new shares. While, in most cases, this information can be obtained from their public circulars, the same cannot be found in their annual reports, which serve as one the key channels of communication between companies and their stakeholders. It is suggested that this information be included in the annual report, or, at least, that the relevant circular be cross-referenced.

e. Most short-listed candidates reviewed their risk management and internal control system at least annually. While we observed that some more information was provided about specific areas of the system being reviewed, which was useful, there was still a lack of detailed disclosures on the nature of issues uncovered, if any, and measures that had been or would be taken to address these. In the majority of the cases there was simply a statement that the board was satisfied that the risk management and internal control system were operating effectively. It would be better if further details were provided as to how that conclusion was reached.

f. While it seems that more companies indicated that they had performed board evaluations, the disclosure of the process involved tended to be rather boilerplate. More information on the scope of evaluations, questions asked, general findings and recommendations, for example, would be helpful; for example, were any question asked about diversity on the board and/ or succession planning?

g. On top of the above, many companies seemed to continue to face challenges, in terms of making good disclosures regarding the following:

   - Appointments and resignations of directors. To enhance transparency, some pertinent information should be provided as to why a particular appointment was made. This applies equally to directors appointed by the government. Meanwhile, the rationale for directors' resignations was frequently lacking;
   - succession planning. Discussion on plans for a smooth and progressive transition of the leadership and on replacing long-serving INEDs with suitable candidates, can help to instil confidence, ensure stability, and allay possible concerns about disruption;
   - individual remuneration packages of directors and senior management. We would reiterate that having such information in place would help to increase transparency and accountability, especially where remuneration is influenced by different components of corporate performance, including financial and non-financial performance, such as ESG factors; and
   - explanations provided on the role of the chairman and the chief executive officer ("CEO") where these roles are taken up by the same individual. In some situations, where the roles are taken up by two different individuals but the chairman is an executive, it may also not be clear how the responsibilities of the daily management of the company are divided between the executive chairman and the CEO, or even another C-suite executive, such as a chief operating officer ("COO").

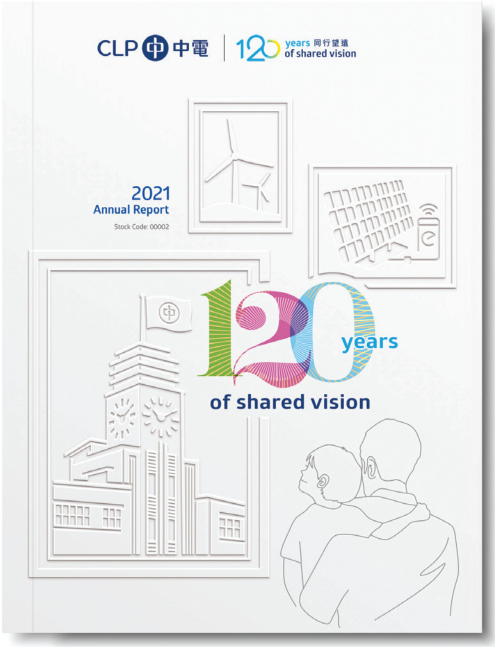
Hang Seng Index Category

MOST SUSTAINABLE COMPANIES
PLATINUM AWARD

CLP Holdings Limited

Findings

1. CLP Holdings Limited ("CLP") continues to lead the market with its outstanding performance on both the CG and ESG fronts.



2. The board has achieved 70% independence, exceptional in the local market. With the appointment of a new female INED, women represent 31% of the board membership and 44% of the INEDs, demonstrating CLP's commitment to improving its board diversity. It is worth highlighting that CLP's ratio of women in leadership positions/ Group Executive Committee has increased to over 30% (vs. 23% in 2018), indicating that the company takes the issues of diversity, equity and inclusion seriously.

   The company applies a "gradual board refreshment" process, through the use of the retirement age tool. While it recommended the re-election of an INED exceeding the retirement age at its 2022 AGM, quite specific justification for this is provided in the relevant AGM circular.

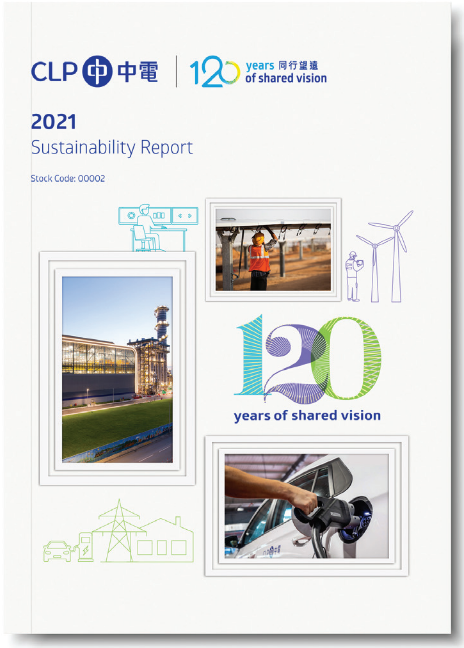
3. An internal board review was conducted in the form of a board survey in 2021, aiming at soliciting valuable feedback and comments from directors in preparation for the next external board evaluation.

   The process involved each director completing a confidential online questionnaire, covering a broad range of topics, including board composition and dynamics, board meeting cycle and materials, the board's focus and strategic oversight of the company, including CLP's strategy review and digitalization journey.

4. It is evident that CLP is committed to providing transparent and reliable information to investors, customers and all other stakeholders, from the informative disclosures in its reports.

   This commitment is strengthened with the introduction of new features in its reporting, including the publication of a separate Climate-related Disclosures Report, following the recommendations of the TCFD. The sSustainability Report includes a discussion of megatrends that are expected have a far-reaching impact on CLP's business and on which the company bases its materiality assessments. Adopting international best practice, in 2021, CLP conducted its first "double materiality" assessment, with the aim of enabling the company to better reflect ESG risks and opportunities in its business strategy from both a financial and an impact perspective. CLP makes good use of graphics, charts and diagrams to illustrate and add colour to the discussion.

Findings



5. Recognizing its key role in combating climate change as a power company, CLP demonstrates its commitment to placing sustainability at the centre of its operations:

   - Launched in 2007, CLP's pledge on climate-related targets, "Climate Vision 2050" was updated in 2021, including bringing forward the phasing-out of its coal-based assets by 10 years, to 2040.

   - Capital investments, which include decarbonization projects in CLP's operating markets in Hong Kong, the Mainland, Australia and India, saw an increase of 21% from 2020.

   - In terms of its renewable energy portfolio, CLP continues to decarbonize the electricity supply and focus on expanding its renewable energy portfolio, by building a gas turbine in Hong Kong, and adding wind and solar projects in the Mainland and India, and constructing a hydrogen and gas-capable power plant in Australia.

6. There is a disclosure of the relevant social and environmental targets, including greenhouse gas ("GHG") emission targets, against their actual performance over the years. Since 2021, there has been a new set of emission caps requiring CLP's power plants to further reduce emissions by 4%, to reach a 7% reduction compared with the 2020 level. CLP has reached these targets.

7. A third party was engaged to conduct a limited assurance on selected ESG metrics, as set out under the Five-year Summary: CLP Group Environmental, Social and Governance (ESG) Data.

Hang Seng Index Category

MOST SUSTAINABLE ORGANIZATIONS GOLD AWARD

Link Real Estate Investment Trust

Findings

1. The Link Real Estate Investment Trust ("The Link")'s policies and guidelines are comprehensive, and are readily available on its website, which enhances transparency.

2. There are 12 members of the board, comprising two EDs, being the CEO and the CFO, one NED and nine INEDs (i.e. 75% independent).

   The Link has a long focus on board diversity and emphasis on a range of complementary skills and experience. INEDs can serve a maximum tenure of nine years on the board. The Nomination Committee undertakes an annual assessment to ensure that all INEDs continue to demonstrate strong independence and are free from business or other relationships which could interfere with their ability to discharge their duties effectively.

   All the key committees of the board, including Audit and Risk Management Committee, Finance and Investment Committee, Nomination Committee and Remuneration Committee, are highly independent (to the tune of 100%, 67%, 75% and 100%, respectively). This level of independence is rare among Hong Kong listed companies.

   The board has a minimum representation of 20% of either men or women. Currently, there are three female independent directors on the board (a ratio of 25%). The "company" utilizes independent external consultants to support the nomination process.

3. The Link seeks to pursue a culture of excellence and visionary creativity. Culture sits at the core of the achievement of its vision, mission and values. Culture drives its value creation and the company strives to create a compliance culture across all of its operations. At its March 2022 meeting, the board considered and was satisfied that The Link's strategy and culture continued to be aligned with one another.

4. In 2021, the Risk Management Committee held several meetings to address dynamic risks and enhance the risk management oversight function, with climate risks being identified together with mitigating measures. Quantifiable financial impacts are disclosed as well.

Findings

5. The Link strives to provide balanced disclosures. An accident involving an elevating working platform and the staff of a contractor on a Choi Wan site was reported. The Link immediately suspended all works that required use of the platform for a full investigation. A new guideline has since been established on the safe use of handling machinery and heavy objects; the contractors are required to provide safety workshops to their staff before resuming use of the elevated working platform.

6. The company has established a reasonable number of KPIs to tracking its own performance, with key environment and social targets with progress updates disclosed in a table, followed by specific sections to cover each of the relevant topics.

   In addition to an existing commitment to achieve net zero for Scope 1 and 2 emissions by 2035, the Link made further strides in 2022 by committing to the Science Based Targets initiative ("SBTi"), which requires the company to tackle Scope 3 emissions in its Net Zero pathway.

7. A third party was engaged by The Link to undertake an independent verification of the sustainability related contents stated in its 2021/2022 Strategic Report and its 2021/2022 Sustainability Compendium.

Hang Seng Index Category

MOST SUSTAINABLE COMPANIES
SPECIAL MENTION

Hong Kong Exchanges and Clearing Limited

Findings

1. Hong Kong Exchanges and Clearing Limited ("HKEX") has adopted good CG practices across most areas. The board is stated to be 92% independent. Even excluding government representatives, the overall independence level would still achieve 46%.

2. In addition to the internal review conducted in 2021, the board also initiated an independent strategic risk review in Q1 2021. It is noted that no material internal control defects or significant areas of concern were identified during 2021 and the risk management and internal control systems adopted by the group were considered to remain appropriate and effective. The principal risks, their descriptions and the key mitigation measures are disclosed in the company's Annual Report.

   HKEX's corporate social responsibility ("CSR") report covers climate change risk to the organization in the short, medium and long terms, also highlighting and addressing the opportunities for its operations of its commitment to net zero and the development of sustainable finance products.

3. The board recognizes that conducting regular evaluation of its performance is essential to good CG and board effectiveness. It is reported that an internal evaluation was conducted in 2021, as well as how the evaluation process was conducted.

4. HKEX puts great emphasis on sustainability governance.

   - At board level, a dedicated committee (comprising the HKEX chairman, the CEO and three other board members) is responsible for providing direction on and overseeing the development and implementation of HKEX's CSR strategy, policies and initiatives that guide its business and operational decision-making, taking into account the company's responsibilities to its markets, people, communities, and the environment.

   - At the management level, a CSR Working Group, comprising senior management of relevant business functions is responsible for providing guidance, advice, and support for the implementation of CSR initiatives concerning employee well-being, as well as philanthropic and community engagement.

   - At operational level, a CSR team, with coordinators coming from different divisions and departments, has been set up to coordinate the execution, communications and reporting of CSR initiatives.

Findings

5. HKEX has commenced to decarbonize its operations. As part of its commitment towards the Glasgow Financial Alliance for Net Zero, HKEX has committed to achieving net zero GHG emissions by 2050, joining the global financial community in support of the goals of the Paris Agreement. Seeking to lead by example and in support of carbon neutrality goals in the Mainland and Hong Kong, the company has begun a detailed study targeting the full decarbonization of its operations ahead of what it has already committed to.

6. A third party was engaged to undertake an independent verification for its 2021 CSR report. The scope of verification covers the data and information associated with HKEX's sustainability performance, including the quantitative data of Scope 1, 2 and 3 emissions. This verification level provides reasonable assurance of the data and information disclosed in the report to confirm their accuracy, reliability and objectivity.

7. To promote ESG transparency and advocacy, HKEX launched two new guides, related to climate disclosures, and net-zero practices for businesses, to help listed companies and the wider business sector to prepare for their increasingly climate-focused business environment. It also launched the HKEX ESG Academy which offers a centralized digital resources platform for listed companies and market practitioners to keep up to date on the latest ESG requirements, training and guidance materials.

Hang Seng Index Category

MOST SUSTAINABLE COMPANIES
SPECIAL MENTION

MTR Corporation Limited

Findings

1. The MTR Corporation Limited ("MTR") adopts many the market best practices in Hong Kong, including above-average disclosure of remuneration and also level of board independence, with government- affiliated directors being classified as non-independent directors.

2. The company has indicated ways to improve its risk management and internal control system, as a result of past reviews. For example:
   - The company has strengthened its second Line of Defence through the establishment of an independent Assurance Management Department, which has been complemented by new technical and engineering Centres of Excellence, and a new Strategic Assurance Review Board, which serves to coordinate and focus assurance activities, as well as to highlight any insights or concerns to relevant executives.
   - The new Three Lines of Defence model and framework were successfully piloted within the Capital Works Business Unit in late 2021 and has been rolled out in a phased manner to other business units starting in early 2022.

3. Mechanisms are incorporated to ensure independent views are available to the board:
   - In terms of the nomination policy, a recommendation from the Nominations Committee is needed for the re- appointment of an INED who has completed three consecutive terms of service, while explanations have to be provided as to why such INED is still considered to be independent.
   - Nomination parameters, especially relating to the independence of an INED candidate, have been put in place.
   - The implementation of the nomination policy is reviewed at least annually.

Findings

4. MTR has a clearly defined corporate strategy which upholds and integrates ESG principles into its business and operations.

   - The three social and environmental objectives established as part of the company's corporate strategy are fostering social inclusion, reducing GHG emissions, and providing opportunities to empower people and communities.
   - The company further defines 10 focus areas and a set of KPIs that gauge and drive performance in each of these areas.
   - Readers are provided with the details of the KPIs presented in a succinct and precise manner in the Sustainability Report.

5. MTR adopts a top-down approach in sustainability governance, which enables it to manage sustainability issues to advance its social and environmental objectives.
   - The company's board assumes the overall responsibility for ensuring that the governance framework enables it to oversee and address environmental and social issues material to its operations and businesses.
   - The Environmental & Social Responsibility Committee provides strategic oversight of MTR's environmental and social strategy and investments.
   - At the management level, the Environmental & Social Responsibility Steering Committee is tasked with driving and reviewing the implementation of initiatives across MTR business units and corporate functions.

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

MOST SUSTAINABLE COMPANIES PLATINUM AWARD

Prudential plc

Findings

1. Prudential plc ("Prudential") has appointed three NEDs to bring a depth and breadth of operational experience in Asia and add to the diversity of thought and perspectives on the board, as well as enhancing the board's familiarity with digital technology, and better enable it to support and challenge the business at an operational level. Given these significant changes, the board also considered it in the best interests of the company to extend the tenure of the senior independent director by one year to the 2023 AGM, having sought the view of major shareholders.

2. Performance evaluations of the board and its principal committees are conducted annually, which was done by an external independent consultancy in 2020 and through a questionnaire internally for 2021. The progress of action plans following the 2020 board evaluation was reviewed in 2021.

   It was confirmed after conducting the 2021 board evaluation that the board has the necessary support and information to function effectively and efficiently with no major areas in need of improvement. The performance of each director was also integrated in the overall board evaluation process.

3. There is a detailed directors' remuneration report, which explains the policy and how directors' remuneration is determined. It includes, for example, a note explaining why the group CEO's remuneration was much lower in 2021, notwithstanding his exceptional leadership and personal performance. The total 2021 remuneration or "single figure" was 15 per cent lower than the same for 2020, which was restated on the required basis to reflect the actual value of the Prudential Long Term Incentive Plan ("PLTIP") award at vesting. This chiefly reflected the level of vesting of his 2019 PLTIP award, which was partially offset by a higher 2021 annual incentive plan outcome compared with 2020.

4. The Remuneration Committee supports the ESG strategy through alignment of the group's incentive plan to external ESG targets. For example, ESG metrics constitute 10% of the total 2022 EDs' PLTIP award, including 5% linked to the carbon reduction target announced in May 2021. In addition, objectives related to other aspects of ESG commitments will be included in the 2022 bonus arrangements for the responsible executives.

Findings

5. Risk management takes into account ESG-related risks. The group risk framework provides guidelines on risk identification and assesses ESG risks as a principal area of risk, detailing out how the risks affects operations, assets, insurance and other products, with explanations on how the group responds to and manages climate-related risks.

6. Prudential achieved sound gender diversity, with 35% level of representation of women in senior leadership in 2021, and was included in the 2021 Bloomberg Gender-Equality Index. The company had also exceeded the recommendation of the Parker Review to have at least one director being from what is regarded in the United Kingdom as an ethnic minority background on the board, with 5 out of 15 directors meeting this criterion.

7. Prudential has reduced the weighted average carbon intensity of its investment portfolio by 23 per cent against its 2019 baseline, placing the company on track to achieve the 25 per cent target by 2025. The company has also enhanced reduction of Scope 1 and 2 GHG emissions, and expanded coverage to Scope 3 this year. The combined emissions from all three scopes have reduced against last year.

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

MOST SUSTAINABLE COMPANIES
SPECIAL MENTION

Standard Chartered PLC

Findings

1. Standard Chartered PLC ("SCB") has embedded good CG and ESG principles into its operations. Various task forces and board-level committees, such as the Culture and Sustainability Committee were established to facilitate reviewing sustainability priorities, overseeing organizational culture and developing a strategic framework. A variety of initiatives targeting different ESG areas, such as diversity and inclusion, employee engagement and climate change were introduced.

2. CG information is extensively and comprehensively discussed in the annual report. Key discussion topics of the board and evaluation of board effectiveness are clearly presented with good use of subtopics and bullet points.

3. The board consists of a majority of INEDs, with a senior INED in place, who provides feedback to the group chairman and discusses concerns that are unable to be resolved through the normal channels or where such contact would be inappropriate with shareholders and other stakeholders. He is also available to shareholders if they have concerns that cannot be resolved or for which the normal channels would be inappropriate, and the means of reaching the senior INED is provided.

4. It is reported that a newly-appointed INED welcomed the flexibility of the induction programme, which was structured so that it could be undertaken entirely remotely through the use of electronic facilities, in view of travel restrictions imposed by COVID-19.

5. There is a comprehensive discussion in the directors' remuneration report, including the following highlights:
   - Fair Pay Charter enables the bank to continue to build a culture of sustainable high performance where everyone can be at their best and feel their contributions are fairly rewarded.
   - In terms of the remuneration of the CEO and the CFO, the company considered group performance, individual performance, and risk, control and conduct-related matters (with input from risk and other control functions).

Findings

6. The significant risks faced by SCB are disclosed, with a table summarizing a current list of emerging risks, outlining the risk trend changes since the end of 2020, the reasons for any changes and the mitigating actions being taken, based on the current knowledge and assumptions.

7. The company endeavours to ensure the accuracy of information being disclosed in its reports. For example, a comprehensive discussion of ESG issues are noted in the Annual Report and the sustainability summary and SCB has obtained a limited assurance of its performance data related to selected sustainability aspirations.

8. The company's approach to managing its environmental footprint is set out:

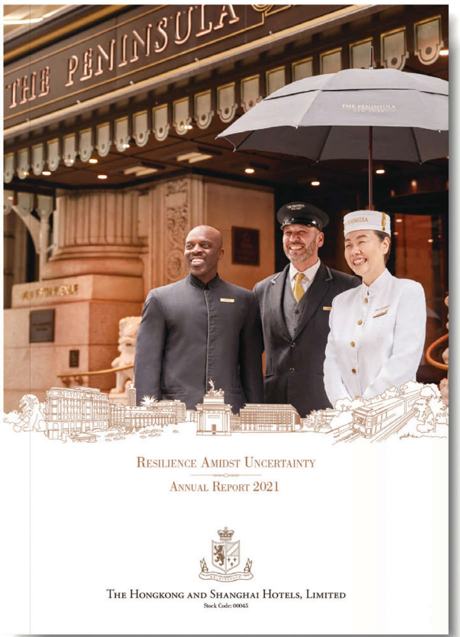
   - SCB targets achieving net-zero carbon emissions from its operations by 2025, and from its financing by 2050.
   - The company measures and manages energy and water efficiency, and its GHG emissions closely, verifying its performance. Together with a 5 per cent reduction in the real estate portfolio, other direct initiatives, including clean power purchase agreements, water recycling, solar rooftops and on-site waste composting, have reduced its CO2 emissions by 27%, and its energy consumption by 15 per cent year on year to 183 GWh. Specifically, investment in energy-efficient products accounted for 11 GWh of this reduction, resulting in a lower carbon and more efficient portfolio.

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

MOST SUSTAINABLE COMPANIES PLATINUM AWARD

The Hongkong and Shanghai Hotels, Limited

Findings



1. The Hongkong and Shanghai Hotels, Ltd. ("HKSH") continued to present well-structured CG information in its Annual Report. The governance structure is clearly explained in a narrative form and illustrated in a diagram with clear lines of delegation and accountability throughout the group. In addition, each board committee has its own committee report to describe their roles and responsibilities, and the main work done in the year.

2. As the Hong Kong hospitality market was severely impacted by the pandemic, HKSH implemented a number of innovative "staycation" offers and marketing promotions to attract the local market and offer unique experiences for local residents. Also, the group's financial position remained robust, with net debt to total assets at an acceptable level of 23% in the light of the capital commitments of the new projects.

3. There is reasonable coverage of the company's culture and values. The board sets and promotes the company's culture based on "doing the right thing". The board expects and requires senior and middle level management to reinforce this ethos. The culture and values are embedded in different governance policies, practices and controls across the group, including culture of integrity and compliance, accountability, communication and transparency, looking after people, inclusivity and respect, listening, as well as corporate responsibility.

4. The process involved in appointing and reappointing directors is set out. The board is planning to schedule the next evaluation in 2022. The board will engage an independent facilitator to lead the process.

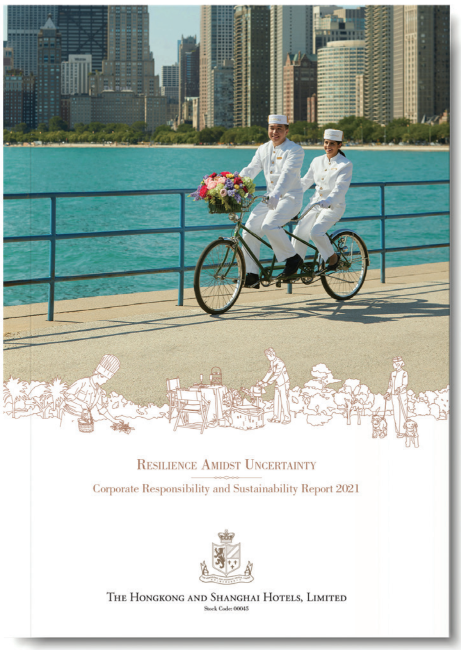
5. The company has taken, and continues to take, steps to promote diversity at all levels of its workforce and has policies on equal opportunities. The company provides equal opportunities to all employees regardless of gender, race, age, nationality, religion, sexual orientation, disability, and other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

6. To integrate cross-functional implementation of sustainability into the business, the Group Corporate Responsibility Committee is comprised of group champions, who are the functional heads representing different aspects of the business, including finance, human resources, operations, legal, corporate affairs, sales & marketing, and projects.

Findings

7. The company acknowledges that climate change is a pervasive issue that affects all parts of the business and has integrated climate mitigation and adaptation actions throughout the newly updated Sustainable Luxury Vision 2030. HKSH also makes reference to recommendations of the TCFD to present how it is managing the risks related to climate change.

8. A third party firm of certified public accountants was engaged to enhance the credibility of the Corporate Responsibility and Sustainability Report. A summary is provided to show most if not all of the relevant information, which includes all relevant assured data.



9. Explanations are provided as why the ESG statistics appear to be skewed in some areas. HKSH points out that, during the pandemic, despite the company's best efforts to remain reactive and agile, in some cases they had to temporarily close operations for months at a time. These operational changes negatively impacted on the progress of their sustainability activities as well as collaborations with partners, many of whom faced similar challenges. Meanwhile, as the hotel business slowly recovered, more guests staying at hotels led to an increased energy usage, resulting in increases in group energy intensity and carbon intensity over 2020.

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

MOST SUSTAINABLE COMPANIES GOLD AWARD

Pacific Basin Shipping Limited

Findings

1. Pacific Basin Shipping Limited ("Pacific Basin") sets out its CG and ESG-related information clearly and succinctly. It adopts all the recommended best practices under the CG Code, except that the group publishes a quarterly trading update, instead of quarterly financial results. The board considers this format provides shareholders with the key information to assess the performance, financial position and prospects of the group's business, following on from the full year and interim result.

2. The board carried out a self-assessment this year led by the board chairman and the Audit Committee chairman, by way of interviews with individual directors, to evaluate its own performance during the year. The aim was to improve board functioning which in turn would influence and impact the business.

3. While the board does not consider that long tenure necessarily compromises independence, nevertheless, it recognizes the importance of succession to balance the mix of deep understanding of the company's business with fresh ideas and perspectives. Over the last seven years, a total of four INEDs have been appointed.

4. The company makes clear its general mandate policy, under which the issue of additional shares must not exceed 10% of the aggregate nominal amount of the share capital of the company in issue, while the issue price will not be at a discount of more than 10% to the benchmarked price of the shares.

5. Substantial information is disclosed about how the board emphasizes the importance of integrating best practices in its CG and ESG framework into its culture, strategy planning and daily operations, including the following:

    - Pacific Basin's active approach to sustainability is rooted in its culture and, governed by policies and systems, and is integrated into its daily business behaviour and operating practices. The company states its belief that many of the responsible actions it takes – its commitment to sustainability – make it competitively stronger and enhance its financial performance, reputation and the longevity and the future value of its business.

Findings

   - The board is responsible for, among other things, the development of the group's long-term corporate strategies and broad policies. In setting its standards, the company considers the needs and requirements of the business, its stakeholders, the CG Code and ESG Reporting Guide under the Listing Rules.

   - Integrating the ESG risk and opportunities into its risk management and internal control system: the board has overall responsibility for, and is engaged in, the group's sustainability strategy and reporting, including identifying, evaluating and managing ESG-related risks, and ensuring appropriate and effective ESG risk management and internal control systems are in place. Management provides confirmation to the board of the effectiveness of these systems. Risk management and internal control systems are embedded in the group's business functions, to enhance long-term shareholder value. The risks of the group are subject to and are directly linked to the group's strategy.

6. Pacific Basin recently formed a dedicated sustainability team to further enhance its strategic focus on sustainable business practices and investments in sustainable assets. In 2021, it increased its decarbonization ambition level with a revised target of net zero emissions by 2050.

7. The company reports its medium- to long-term reduction target of over 50% reduction on carbon intensity by 2030, following the International Maritime Organization Carbon Intensity Reduction Rules. Besides, this target is in line with company's overall initiatives, including decarbonization rules, market-based measures, new fuels and propulsion systems.

8. The company includes a full table of environmental and social data. For GHG emissions, Scope 1, 2 and 3 disclosures are included, which are supported by at least three years of data comparisons, with reasonable level of description.

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

MOST SUSTAINABLE COMPANIES GOLD AWARD

VTech Holdings Limited

Findings

1. VTech Holdings Limited ("VTech")'s vision is to create sustainable value to improve the lives of people and protect the planet for future generations. This vision guides the group to pursue its mission to integrate economic growth, environmental protection and social responsibility in its business strategies, to design, manufacture and supply innovative and high-quality products for the wellbeing of people and benefit of society, aiming to drive sustainable value for its stakeholders and the communities.

2. The company has human resource management policies in place to promote a caring environment with mutual respect and inclusive atmosphere in the workplace. As for business ethics, the group's Code of Conduct and Anti-Corruption Policy define the behavioural guidelines for its employees.

   A culture of innovation, which supports and encourages creative thinking and sharing of new ideas in the workplace, is crucial for the group to continuously design and develop innovative and High-quality products.

3. VTech has a general mandate policy in place enabling the company to allot, issue and deal with additional shares representing up to 10% of the issued share capital of the company, while the discount for any shares to be issued should not be more than 10% to the benchmarked price.

4. A board evaluation was conducted in the form of a questionnaire to all members of the board and board committees inviting feedback anonymously, with the aim of improving the effectiveness of the board and the board committees.

5. The Risk Management and Sustainability Committee, a board-level committee, is responsible for monitoring and reviewing the risk management and internal control systems, as well as the sustainability strategies, performance and activities of the group on a regular basis.

6. For climate-related risks, the risk exposure level and likelihood of occurrence are evaluated under two scenarios selected with reference to the TCFD recommendations. In addition, descriptions of climate-related risks, their potential impact, timeframes, impact level, and mitigation measures, together with opportunities identified, are clearly presented.

Findings

7. In terms of KPIs, a table is provided to present the company's achievements against the targets developed through its VTech Sustainability Plan 2025, covering financial years from 2021 to 2025. For example, the company:

   - targeted to apply waterborne paint for 30% of its electronic learning products ("ELPs") for the financial year 2022. In terms of progress, it is reported that waterborne paint was applied on 93.8% of ELPs. Its targets of 95% of packaging materials for ELPs being recyclable, and 85% of them to be made from recycled materials are also very close to being met.
   - is set to disclose Scope 3 emissions in 2022, and has realized this target. It is noted that scope 3 emissions include GHG emission data from ocean shipment of contractors engaged by VTech. In 2022, indirect emissions from air shipment was added to the data reporting boundary.
   - aims to reduce its GHG emission per production output in assembly factories by 6% and by 10% compared with FY2020, for FY 2023, and FY 2025 respectively. These targets are already being met, with the actual performance of 14.5% in FY 2022.

8. A third party was engaged to undertake an independent verification of the Sustainability Report, providing a reasonable assurance on the reliability of the report content.

H-share Companies and Other Mainland Enterprises Category

MOST SUSTAINABLE COMPANIES
GOLD AWARD

Lenovo Group Limited

Findings

1. Lenovo Group Limited ("Lenovo") focuses on achieving sustainable growth in both financial and ESG performance to create long-term value for its shareholders and other stakeholders. ESG is one of the three pillars that the company is looking to develop and support its vision to solve humanity's greatest challenges with smart technology.

2. The board consists of 10 directors, of whom six are INEDs, and only one ED, who is both the chairman and CEO. Directors are provided with resources, such as training and market updates from senior executives or external trainers. The Annual Report also lists out the work of different board committees in detail, including the Audit Committee and the Compensation Committee, which approves the amount of compensation to all directors and senior management.

3. The chairman and CEO are the same person, but there is role separation on supervision and evaluation of the performance of chairman/CEO. The Nomination and Governance Committee is normally chaired by the chairman on matters such as key board personnel recommendations and other CG issues, but the lead INED will chair the committee when there is a conflict of interest between the roles of the board chairman and CEO.

4. Material risks, together with the underlying mitigating measures are provided, including business risks, merger and acquisition risk, cyber-attack and security risk, financial risk, intellectual property risk, supply risk, human capital risk, operational risk, the pandemic and environmental risks/climate change.

5. In terms of integrating CG and ESG into the company's daily operation, it is noted that:
   - Both CG and ESG are seen as key issues on the board agenda.
   - The board's business strategy and investment plans take ESG issues into consideration.
   - The risk management and internal control section covers important ESG risks and opportunities, alongside other principal risks and opportunities.
   - There are high-level board committees with responsibility for oversight of CG and ESG matters, such as the Nomination & Governance Committee.

Findings

6. Lenovo achieved its highest ranking to date in the Gartner Global Supply Chain Top 25 listing for 2022. This annual ranking of technology, retail, manufacturing, food and beverage, and pharmaceutical brands identifies companies leading the way in supply chain management.

7. In 2022, the company signed the SBTi Commitment Letter, pledging to set net-zero targets. The company is also committed to aligning its business with a 1.5°C future and has set a clear roadmap of targets on reducing Scope 1, 2 and 3 carbon emissions. The company has also made efforts in other areas that help to protect the environment, such as increasing energy efficiency, reducing waste and using environmental-friendly materials in its productss.

   The company's progress in ESG performance and its goals are disclosed in the Environmental, Social and Governance Report. On its global environmental system targets related to products, site location and supply chain, a majority of them have been either partially met or are on track as of 2021. Other long-term ESG KPIs are mostly on track. The long-term KPIs are also benchmarked against the UNSDGs.

8. ESG-related information is periodically audited by an internal control framework, as part of a broader corporate risk assessment that incorporates audit processes to provide independent and objective assurance that the company’s ESG disclosures, statements, and metrics are accurate and aligned with the company’s risk management approach. The company has in place an integrated approach for internal control which is consistent with the Committee of Sponsoring Organizations of the Treadway Commission (“COSO”) internal control framework. This internal control framework is overseen by the Audit Committee.

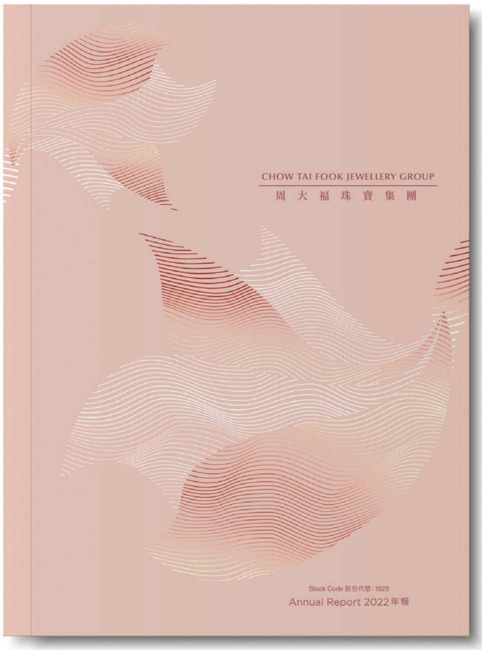
   Accredited third parties have provided verification services for certain energy, GHG emissions, waste, and water data in the report.

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

CORPORATE GOVERNANCE SPECIAL MENTION

Chow Tai Fook Jewellery Group Limited

Findings



1. The CG practices of Chow Tai Fook Jewellery Group Ltd. ("CTF") are explained clearly in the "Corporate Governance Report". Tables of main tasks relating to CG performed by the board of directors, Nomination Committee, Remuneration Committee and Audit Committee are summarized under the CG report.

2. The Nomination Committee assesses and confirms the independence and time commitment of INEDs on an annual basis, including each INED's annual confirmation of independence received by the company. The committee's annual review on INEDs' independence includes the assessment of any cross-directorships or significant links with other directors.

3. The company has sought to disclose its compliance with the new CG Code requirements regarding corporate culture. CTF has set its culture in alignment with its purpose, value and strategy and is committed to embodying its corporate culture as explained in Managing Directors' Strategic Report.

4. For upskilling and preparing employees for future, CTF is also committed to building the company into a learning organization with innovative talent development initiatives that encourage employees to actively share their knowledge and experience, learn from one another, and drive each other to excel.

5. CTF has put in place a number policies and practices to support staff development and work-life balance, including the "Soaring Scheme" trans-regional work experience programme, where employees from the Hong Kong and Macau embarked on a working and learning trip for 18 months in the Mainland to widen their horizons; an employee experience journey called "Best of Me! Best of Us!", to cultivate a greater sense of identification with the corporate culture and encourage each employee to channel passion into their work and life and be the best versions of themselves; added staff benefits, such as Family Friendly Leave, My Development Leave and Global Experience Leave; and the company reports that, during the pandemic, it gave family care leave to staff in Hong Kong to allow them to look after their families in times of need.

Findings

6. A detailed risk mitigation and internal control framework, including its main features and the principal risks identified in FY 2022 are disclosed in the Risk Management Report. Useful information is provided on the structure and the process used to review the risk management and internal control systems, including under the headings, "People enforce the review of our risk management and internal control system and the effectiveness of the internal audit function" and "Tools used to review our risk management and internal control system and the effectiveness of the internal audit function".

7. In terms of integrating CG and ESG, it is noted that:

   - The Sustainability Committee was elevated to the full status of a board committee to enhance the board's leadership and oversight for ESG. Its responsibilities are:
   - to oversee formulation and implementation of sustainability strategy, policies and initiatives
   - monitor the effectiveness of ESG risk management and internal controls; and
   - report to the board on all aspects of sustainable development, including business, governance, technology, people, environment, and social interestts
   - ESG-related KPIs have been established and are monitored, covering anti-corruption, health and safety, community investment, energy consumption and intensity, GHG emissions and intensity etc.

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

CORPORATE GOVERNANCE SPECIAL MENTION

Hysan Development Company Limited

Findings

1. Hysan Development Company Limited ("Hysan") indicates that it regularly reviews and maintains board independence, taking into account a number of factors such as:
   - full disclosure in Annual Reports of cross-directorships or other business relationships that may interfere with directors' independence;
   - full board approval of connected transactions, with exempted transactions required to be reported to the full board after obtaining management approval; and
   - separate discussions amongst NEDs, without the presence of EDs or board members related to the founding family.

   Also, clear information is provided regarding the distinct roles and responsibilities of the board and management as well as information regarding decision making with certain 'reserved matters' that can only be handled by the board.

2. The company identifies and analyses a situation of cross-directorships. It is noted that Wong Ching Ying Belinda holds such a relationship with Lee Anthony Hsien Pin, since they both serve on the boards of the company and Television Broadcasts Limited. Given that the former plays a non-executive role and does not hold any shares in the two companies, the company considers that such cross directorship would not undermine her independence with respect to her directorship in the company.

3. Hysan has sought to provide balanced views in the Annual Report, explaining the reasons for lower turnover and underlying profit of 2.7% and 2.8% respectively. While COVID-19 continued to put pressure on the office sector, the retail sector started to recover as economic fundamentals and market sentiment improved. Meanwhile, the residential segment declined, mainly due to limited demand from expatriates.

4. The company has also started to discuss its culture. The board evaluation concluded that the board was engaged in embedding culture into its mindset. Audit of the company's culture conducted during the year helped the board to reinforce the alignment of purpose, value, strategy, operation, performance and reward.

Findings

5. Hysan continued to comply fully with the requirements of the CG Code and to set out where the company exceeded the requirements, including in 2021:

   - Establishing a sustainable finance framework, issuing a first sustainability bond and secured its first sustainability-linked loan
   - Adopting a Risk Appetite Statement
   - Adopting a Tax Governance Policy, along with supporting tax compliance policy and procedures
   - Adopting a Sustainable Procurement Policy

   The Annual Report also indicates that the relevant policies and terms of reference are all on the company's website.

6. In terms of issuing shares under a general mandate, since 2018, Hysan has adopted a 10% limit on the number of the issued shares, and at a discount of not more than 10% on the share issue price.

7. The entire process regarding directors' recruitment is clearly explained and roles are also clearly defined; there is also a clear board diversity policy with measurable objectives and progress as of 2021.

8. The Risk Management and Internal Control Report clearly outlines the company's top-down/bottom-up risk management framework, using flow charts to describe the risk management process, and "Three Lines of Defence" model. It also highlights the improvements made to strengthen the risk management and internal control systems and illustrates the major risk areas (including ESG-related risks), the change in risk level and the mitigating measures.

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

CORPORATE GOVERNANCE SPECIAL MENTION

NWS Holdings Limited

Findings

1. NWS Holdings Limited ("NWS") presents all the key information in its Corporate Governance Report clearly making good use of tables and graphs, in order to enhance understandability and helping to explain the company's CG to different kinds of stakeholders. NWS's culture and values are discussed under the heading, Alignment of Values, Strategy and Culture. Various case studies and stories are also published in the Annual Report to deliver positive messages to readers.

2. The CG and ESG strategy link up important information to achieve the promotion of a good CG, i.e. sustainability, risk management, green finance, responsible investment and stakeholders.

3. The Corporate Governance Report covers an extensive range board and governance issues under the major headings of Leadership, Effectiveness, Accountability and Engagement, including board composition, diversity, commitment and independence, refreshment, operations, activities and evaluation.

4. A board evaluation was conducted during the year with the assistance of an independent external CG facilitator to solicit directors' view on the effectiveness and performance of the board, with a focus on, inter alia, the following areas: performance in core areas; priorities in the next 1 to 2 years; and quality of board effectiveness enablers (including board composition, meetings, provision of information). There is a good description of the process. The results and recommendations were discussed at a meeting of the INEDs, then considered by the Nomination Committee and the board. A summary of the priority areas for consideration is also provided to enhance transparency.

5. The overall risk management process is overseen by the board. Some highlights are:
   - The company adopts the Three Lines of Defence model as its risk governance structure with defined roles and responsibilities.
   - There is detailed disclosure of the likelihood and impact of significant risks, including the relevant sustainability/ ESG risks, facing the company.
   - An annual review of the risk management and internal control system was performed, and no significant issues were identified.

Findings

- The company indicates that climate change is widely recognized as a key topic that all sectors need to address, as it could have multi-faceted impacts on Hong Kong's development and business growth.
- To facilitate the achievement of its risk management objectives and the Sustainability Vision 2030 of New World Development Company Limited, which is the company's holding company, a holistic integration of transition and physical risks into the enterprise risk management ("ERM") framework was implemented during the year.

6. The Sustainability Report was prepared in accordance appropriate ESG guide and standards. It is certified by a third party, which provides reasonable assurance on the reliability of the report contents.

7. In 2020, the company established group-wide environmental and social targets for FY2030 in line with its parent company's Sustainability Vision 2030 and the UNSDGs, demonstrating its long-term commitment to being part of a low-carbon economy, and creating shared value for its customers and stakeholders. A table is incorporated to provide an overview of the company's Sustainability Targets 2030 and its progress towards them, which indicates that the targets have either been met or are on the track.

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

CORPORATE GOVERNANCE SPECIAL MENTION

Sa Sa International Holdings Limited

Findings

1. Sa Sa International Holdings Limited ("Sa Sa") continued to enhance its CG practices during the year ended 31 March 2022. As an example, the company ensured a diverse board, with a good mix of male and female directors from diverse backgrounds and with different skill sets. The board and key committees all have a 100% attendance rate at meetings, suggesting a high level of engagement by members.

2. The company illustrates clearly the major areas in which its practices exceeded the CG Code, including:
   - continuing to hold AGMs in hybrid form allowing participants the flexibility of attending in person or virtually and the company gave more than 40 clear business days' notice for its AGM;
   - holding a total of six board meetings and 20 board committee meetings altogether, exceeding the minimum required by the CG Code;
   - conducting a board evaluation at regular intervals of every two to three years; and
   - all members of the Audit Committee are INEDs and, during the year, the committee held two private meetings with the external auditor without the presence of any of the executive directors.

3. The nomination criteria for the appointment or re-appointment of directors are clearly set out in the Corporate Governance Report. The company's board diversity policy reinforces the significant role the female directors play in the company and pledges to ensure a strong female representation at board level. Female directors made up 50% of the board members as at 31 March 2022. The policy is reviewed periodically to ensure it remains relevant to the company's needs and reflects both regulatory requirements and good CG practices.

4. In terms of the management discussion and analysis, the company:
   - iimplemented a series of initiatives to optimize its operations, including acceleration of digitalization and automation, with the aim of reducing operating costs and enhancing operational efficiency;
   - proactively adjusted its product mix, with launches of new promotions and offers, and collaborated with various payment gateways, to drive additional local spending amid the issuance of consumption vouchers by the government; and

Findings

- extended its online reach in the market, serving to complement its physical store products in the market and increasing its competitiveness.

5. Sa Sa made efforts to improve its sustainability disclosures and practices as indicated in the ESG report. For example, the company:

   - devoted significant efforts to expanding the tracking and disclosure of the quantitative information of its ESG performance and the accompanying narratives in the ESG report. The company reoriented its efforts to stay focused on areas that are material to its operations and its impact on the environment and society;
   - initiated a large-scale stakeholder engagement and materiality assessment. The response rate from its customers was particularly overwhelming, demonstrating the importance of sustainability issues among them; and
   - began to identify climate risks and will continue to focus effort in this regard with reference to TCFD recommendations.

H-share Companies and Other Mainland Enterprises Category

CORPORATE GOVERNANCE AWARD

AAC Technologies Holdings Inc.

Findings

1. AAC Technologies Holdings Inc. ("AAC") discloses its CG structure and the work done by the board in a reader-friendly format, through the use of diagrams, tables, concise presentations in point form and sequences of events, etc. The Corporate Governance Report states that the board and the company consider effective CG not only a safeguard of the interests and confidence of its stakeholders, but also a key component in the group's sustainable long-term development and value creation. It goes on to state that the board is committed to high standards of disclosure and excellence in CG.

2. AAC set out clearly the key components of its sound CG framework, covering key duties and responsibilities of the board and its committees; directors' attendance in the relevant meetings, showing members commitment; and board diversity, etc. CG-related policies, including a code of conduct, board diversity and whistleblowing policies, and policies related to ESG are accessible to the public via AAC's website.

3. The company's internal control and risk management framework includes both "Top-down" and "Bottom-up" approaches. A detailed governance framework on internal control and risk management process is in place, with a table showing the responsibilities of each relevant party. The description shows that the internal audit function participates in the process.

4. AAC also procures external professional resources to assist it in refining the ERM system and the risk-driven approach for its internal audit plan. Key risk factors faced by the company are explained in a separate section of the Annual Report, where AAC's countermeasures to the risks are also discussed.

5. Board independence is one of the key features of good CG. In this regard, some of AAC practices relating to its board and board's committees surpass those of the majority of listed companies in Hong Kong:

   - the majority of board members are INEDs (4 out of total 7 Board members), including the chairman;
   - all members of the Audit and Risk Committee, Remuneration Committee, and Nomination Committee are INEDs; and
   - there is an annual evaluation of the board performance, and INED meetings to evaluate the performance of EDs and the effectiveness of the board without the presence of other non-INED directors and management.

Findings

6. The process for appointing directors is clearly disclosed. A board evaluation process is conducted annually by mean of questionnaires with quite extensive coverage:
    - structure and composition of the board and committees, such as size and selection process;
    - responsiveness to special incidents and diversity of board members;
    - board culture and collegiality;
    - board information quality: accuracy, relevance, digestibility, timeliness and access to management;
    - board process and adequacy of meetings; and
    - relationship with management (performance measures, visibility, mutual trust).
7. AAC's sustainability management approach aligns with the UNSDGs and the 10 principles of the United Nations Global Compact. Its Sustainability Report covers its sustainability governance framework and discusses in detail the challenges, risks and its progress related to different aspects of ESG. The company has achieved several awards for its ESG reporting. To strengthen the credibility of the disclosure, AAC has commissioned a third party to provide independent external assurance of disclosures made in its Sustainability Report since 2017, which is to be commended. A summary of AAC's work in sustainability is also provided in the Annual Report.

H-share Companies and Other Mainland Enterprises Category

CORPORATE GOVERNANCE SPECIAL MENTION

China Everbright Greentech Limited

Findings

1. China Everbright Greentech Limited ("CEG") states in its Corporate Governance Report that it believes that maintaining sound and high standards of CG is not only a key element in safeguarding the interest of the shareholders, but also creating long term value for all relevant stakeholders by enhancing the corporate value, accountability and transparency.

2. The company makes good use of graphical presentations and has produced a concise and easy-to-read Annual Report, facilitating understanding of its CG, performance, and work priorities based on sustainability trends. The company clearly confirms that it has gone through the basic procedures, such as establishing the independence of INEDs and that there are no business relationships that affect this. In addition, it provides a good example of how to explain the relevant skills and experience that a director can bring to the board. CEG says that knowledge and experience in sustainable development responsibility has become a crucial criterion in the selection of directors.

3. The board has established Audit and Risk Management, Remuneration and Nomination Committees, to oversee the particular aspect of the company's affairs, which have been provided with sufficient resources to discharge their duties. Matters considered by the board during the year are set out clearly.

4. The board is responsible for formulating business policies and strategies, directing and supervising management of the company, adopting and monitoring internal business and management control, approving and monitoring annual budgets and business plans, reviewing operational and financial performance, reviewing and monitoring the company's systems of CG, ESG, internal control, and risk management. The board acknowledges that it should take leadership for and accountability in promoting a top-down culture to ensure ESG considerations are part of the business decision-making process.

5. CEG conducted a board evaluation in the form of a questionnaire with a peer comparison, which took into account five key board performance and CG areas, including board structure, performance of the board and board committees, independent views, communication with stakeholders and professional development, allowing each board member to rate relevant items in different areas.

Findings

6. The directors' emoluments are subject to the recommendations of the Remuneration Committee. The emoluments are determined with reference to directors' duties, responsibilities and performances and the results of the group. No director is involved in deciding their own remuneration.

7. In terms of integrating CG and ESG, it is noted that:

    - CG and ESG are both seen as key issues on the board agenda.
    - The company has set up a Sustainability Committee to manage the ESG issues, comprising the CEO as the chairman and three INEDs. So, there are high-level board committees with responsibility for oversight of CG and ESG matters. During 2021, the committee reviewed the 2020 Sustainability Report, discussed the new updates on ESG disclosure requirements, discussed the plan of target setting on waste emissions, exhaust emissions, energy use, water resource use and carbon reduction, and reviewed the following: "Waste Management Policy", "Energy Management Policy" and "Water Resource Management Policy"
    - The company's risk management and internal control cover important ESG risks and opportunities, alongside other principal risks and opportunities. In addition, the principal risks are disclosed comprehensively.

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

CORPORATE GOVERNANCE AWARD

Securities and Futures Commission

Findings

1. As of 31 March 2022, the board of Securities and Futures Commission ("SFC"/ "the Commission") comprised 14 members – five Executive Directors, including the CEO; and nine NEDs, including the chairman. During the reporting period, three new NEDs were appointed. The Annual Report contains a section introducing the newly-appointed NEDs and providing information and the backgrounds and some initial observations of the new appointees, for the benefit of stakeholders.

2. The SFC holds frequent board meetings. In addition to the monthly meetings, the board also meets from time to time to conduct in-depth discussions of policy issues and convenes special meetings as needed. 13 board meetings were held during the year, with an average attendance rate of 99%.

3. The Annual Report introduces the board committees, as well as committees, panels and tribunals, under which their functions, composition and meeting participation rate are covered. The committees and panels are set up with a specific focus to handle technical aspects of regulatory supervision and market standards more effectively.

4. There are disclosures on internal controls and risk management, including descriptions of the process adopted in identifying risks. For example, in relation to external risks, it is explained that the SFC uses artificial intelligence to analyse information from prospectuses about the roles of companies and individuals to detect conflicts of interest in initial public offerings. The commission also enhanced its market surveillance system to detect more types of risks and identify abnormal price movements.

5. The report describes independent checks and balances. It is disclosed that independent bodies provide external checks and balances on the SFC's operational work to ensure fairness in its decision making, observance of due process and proper use of its regulatory powers. Apart from scrutiny by the Process Review Panel and the Securities and Futures Appeals Tribunal, the SFC is subject to judicial review by the courts and indirect oversight by the Ombudsman.

6. There is a reasonable discussion in the operational review that includes sections on highlights, corporates, intermediaries, products, markets, enforcement, regulatory engagement, stakeholders and SFC activity data.

Findings

7. In terms of enforcement, it is noted that the SFC commenced 220 investigations and laid 28 criminal charges against three persons and one corporation and secured convictions against them. The Commission also obtained disqualification and compensation orders against three corporations and nine persons. Civil actions seeking financial redress and other remedial orders against 168 persons and corporations in 32 cases are pending before the court.

8. The SFC is co-leader of the Hong Kong's Green and Sustainable Finance Cross-Agency Steering Group, which has made it a priority to support the effort to embed emerging international standards for corporate disclosures to address climate-related risks and to pursue carbon market opportunities for Hong Kong. Through the Commission's leadership of International Organization of Securities Commissions during the year, it also contributed to global initiatives to coordinate the efforts of securities regulators to support sustainable finance policies and address the problem of greenwashing.

9. The SFC also took into account the approach adopted by the European Union and the TCFD. Commencing in August 2021, SFC required fund managers to take climate-related risks into consideration in their investment and risk management processes, and to provide investors with appropriate disclosures.

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

CORPORATE GOVERNANCE SPECIAL MENTION

Mandatory Provident Fund Schemes Authority

Findings

1. The Mandatory Provident Fund Schemes Authority ("MPFA"/ "the Authority")'s CG framework, as set out in the Corporate Governance section of the MPFA's Annual Report, is in line with the governance principles and best practices recommended for public bodies.

2. The Annual Report sets out clearly the CG structure, information on the composition of the management board, which comprised nine NEDs and 4 EDs as at 31 March 2022, and on the backgrounds and other positions of board members; the composition of and work done by key committees, as well as attendance at meetings.

3. Directors are bound by the MPFA's Code of Conduct for Directors. They should uphold the principles of honesty, integrity, objectivity and impartiality, be accountable for their decisions and actions, act in the best interests of MPFA, and place public interests above private interests.

4. The Business Operations section of the report outlines how, during the year, the MPFA continued its efforts to promote sustainable investing of MPF funds through a variety of channels illustrated in the report

   Other significant matters covered in the Business Operations section include:

   - MPFA has been making efforts to drive improvements to the presentation and disclosure of MPF information so that scheme members are provided with useful information in an easily accessible way, to facilitate retirement planning and decision-making in relation to MPF investment.
   - In respect of eMPF Platform Project, the transition to the new platform will involve data from some 10 million MPF accounts of scheme members under 27 schemes, currently managed by 13 trustees using 13 different scheme administration systems. The technical complexity of such a mega-scale data migration without affecting the day-to-day scheme administration will be challenging. Careful assessment and detailed planning are under way to ensure an orderly phased onboarding. The migration is expected to be completed in 2025, after which the eMPF Platform will become fully operational.

Findings

- The amendment bill regarding the abolition of the MPF offsetting arrangement was passed by the Legislative Council on 9 June 2022. After the effective day for the abolition of the offsetting arrangement, expected to be in 2025, employers can no longer use MPF mandatory contributions made for their employees to offset employees' severance or long service payments for the employment period starting from that date.

5. The Remuneration Committee considers and makes recommendations to the government regarding the remuneration of EDs. Their emoluments are disclosed on individual and named basis, analysed into salaries and other benefits, contributions to MPF schemes and variable pay.

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

7. In 2021, the MPFA implemented changes to enhance its ERM framework, which included submission of a risk report on a quarterly basis to the Audit Committee and on a bi-annual basis to the management board, to fulfil its expanded roles and responsibilities for overseeing eMPF Platform Company Limited and its operation.

8. As regards other checks and balances, independent panels, including the Mandatory Provident Fund Schemes Appeal Board and the Process Review Panel, have been established by statute to review and regulate MPFA's decisions and internal processes.

Hang Seng Index Category

ESG AWARD

The Hong Kong and China Gas Company Limited

Findings

1. The ESG Committee is the dedicated board committee of The Hong Kong and China Gas Company Limited ("Towngas") that oversees the company's ESG strategies, policies and practices.

   Chaired by the managing director of Towngas, the ESG Committee is responsible for identifying and reviewing ESG issues, risks and opportunities and tracking ESG performance and recommending improvement strategies, etc. The composition of the ESG Committee includes members of the Executive Committee and senior management. The chairman of the ESG Committee reports ESG matters to the board of Towngas.

2. The company adopts the internationally recommended three-step process of identification, prioritization and validation in conducting its materiality assessment. The approach to and process of the assessment are explained in the ESG Report.

   In 2021, internal reviews were conducted and key internal stakeholders were engaged to understand the risks and opportunities facing Towngas, and any significant changes that had occurred. ESG issues were re-categorized and updated from 40 issues to 24 issues in 2021, leading to a revised materiality matrix which enabled Towngas to identify the issues most important to the company and its stakeholders and to refine its ESG policies.

3. Efforts are made to disclose carbon emission data from Scope 3 which covers indirect emissions that occur in the value chain. It is noted that the total emissions (Scope 1, 2 and 3) amounted to 1,983,000 tCO2e in 2021, of which Scope 3 emissions represented around 83%. This helps provide a more comprehensive picture of the company's carbon footprint.

4. The ESG Report has been prepared in accordance with the TCFD recommendations, including more detailed results of its physical risks analysis. The company conducted a comprehensive assessment of the transition risks and opportunities across its energy related businesses in Hong Kong and the Mainland under various climate scenarios in 2020. Transition risks for Towngas were identified according to TCFD's categorizations of market risk, technology risk, policy and legal risk, and reputation risk.

Findings

It is noted that, since 2019, the company has disclosed relevant information to align with the TCFD recommendations and meet stakeholders' expectations, under the four aspects of governance, strategy, risk, management, metrics and targets.

5. Towngas' scenario analyses stand out. The company conducted a Vulnerability Impact Assessment of properties at risk due to climate change. The assessment was conducted using the Representative Concentration Pathway ("RCP") Scenarios to evaluate flooding, storm surges and extreme waves, landslides, wind, temperatures and lightning.

   The company evaluated the degree of sensitivity of its assets, and identified measures required to mitigate risks and build resilience across its portfolios. The analysis took into consideration the business nature and geographical locations of each asset. The risk level of business interruptions and/or direct damage across operations and supply chains was also assessed.

   In Hong Kong, the Tai Po Gas Production Plant is considered the company's critical asset. The company therefore conducted a deep asset scenario analysis, taking into account the relative locations, as well as physical setting of the equipment and facilities, such as naphtha tanks, production plants and switch rooms. All of these were thoroughly modelled for three RCPs up to 2100.

Hang Seng Index Category

ESG
SPECIAL MENTION

New World Development Company Limited

Findings

1. New World Development Company Limited ("New World") integrates the management of ESG issues throughout the group's CG structure – from board-level committees to management-level group functions and business units. The board fulfils its responsibilities by delegating to five board-level committees, including the Sustainability Committee, which oversees the group's management of ESG and sustainability endeavours.

2. The company states that Creating Shared Value ("CSV") is at the heart of the corporate mission. Through ESG integration via Sustainability Vision 2030 ("SV2030"), the company is able to quantify its CSV contributions for all stakeholders, and use the SV2030 pillars of Green, Wellness and Caring to ensure its board, leadership team and employees are all acting towards these common goals.

3. The company has been actively managing social and environmental risks and opportunities together with economic challenges within its sphere of influence. The company believes that integrating sustainability with its business practices provides it with a competitive advantage in the long-term.

4. New World has continued steady progress on SV2030, integrating specific quantitative targets into its business practices, in addition to aligning disclosures with ESG frameworks such as GRI and TCFD. Further, the progress on New World Group-wide SV2030 is now linked with the remuneration of CEO and employees, further incentivizing the achievement of targets.

5. The company conducted climate-risk scenario analyses on 14 major existing buildings in Greater Bay Area and implementation of improvement measures is in progress. New World also made "No coal pledge" commitment, to refrain from making any new investments in companies engaged in the construction and operation of coal-fired power plants or coal mines.

Findings

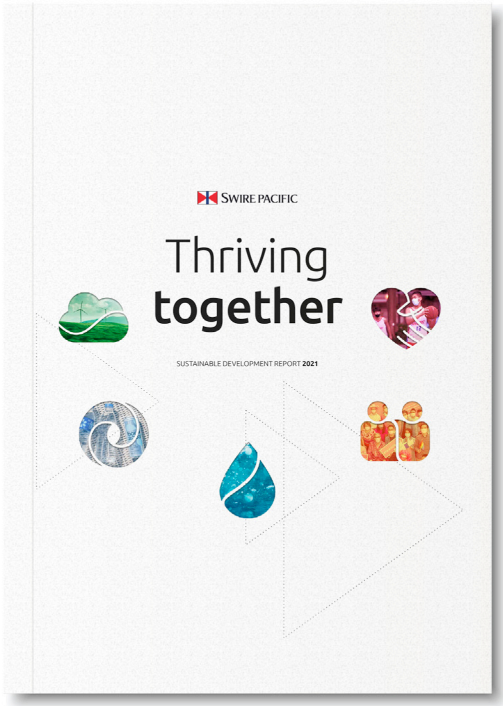
6. In terms of the company's other environmental commitments, it is noted that:
   - The company has continued its progress towards its group-wide SV2030 targets for carbon emissions and energy intensity, achieving a 33% and 20% reduction, respectively in FY2021, against the FY2015 baseline, with both figures targeted to be reduced by 50% by 2030.
   - While the total energy consumption of the company's sustainability reporting scope increased in FY2021 as compared with FY2020, due to business recovery in the aftermath of the worst of the COVID-19 restrictions, the company's consumption is in line with FY2019 levels, despite an expanded scope, thanks to the efforts in enhancing energy efficiency of in-scope buildings.
   - The company reports that it is the third real estate developer in Asia to receive the SBTi approval of its near-term 1.5°C aligned science-based targets and commit to the SBTi Net-Zero Standard. It has also been making efforts to understand tenant energy consumption and track embodied carbon.
   - The company has set a target to reduce water intensity by 25% by FY2030, against a FY2015 baseline. In FY2021, its water intensity reduction performance was 30%.
   - As regards board diversity, New World aims to reach a higher level of gender diversity on its board by setting a target to reach 30% of female board members by FY2023 and thereafter to continue to maintain a diverse board.

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

ESG AWARD

Swire Pacific Limited

Findings



1. Swire Pacific Limited ("Swire Pacific") has formulated "SwireTHRIVE", which is a group level sustainable development strategy that helps promote sustainability on five focus areas within the large conglomerate. The ESG initiatives are supported by specific ESG policies and measurable targets, enabling reliable evaluation of ESG performance and progress. Each focus area is covered in the company's Sustainable Development Report 2021 in reasonable detail, and illustrated with graphs and statistics.

2. Swire Pacific also has a sound ESG governance structure:
   - Its board is kept informed of sustainability risks and performance by the Group Risk Management Committee ("GRMC"), which reports to its board via the Audit Committee.
   - A Sustainable Development Office ("SDO"), led by the group head of sustainability, reports to an ED, who briefs the board and division heads twice a year on sustainability mattersrd and division heads twice a year on sustainability matters.
   - Formal committees relevant to SwireTHRIVE include the Swire Group Environment Committee ("SGEC") and the Health and Safety Committee (both of which are overseen by the GRMC) and the Diversity & Inclusion Steering Committee (which reports directly to the chairman).

3. The Sustainable Development Report actively responds to topical issues relevant to its different businesses within the group, such as energy efficiency in its property business and GHG emissions in its aviation business. ESG progress is exemplified by case studies that enable readers to understand the full picture of Swire Pacific's ESG performance in each area.

4. The company supports the recommendations of TCFD and started producing annual disclosures that consider these recommendations in 2018. The SDO coordinates the SGEC, and five working groups responsible for defining Swire Pacific's climate, waste, water and sustainable supply chain approaches and response to the TCFD. A TCFD working group, comprising sustainability, finance and risk team members, was formed in 2020 to develop disclosure guidelines, review information about risks and determine a timeline for full disclosure to TCFD.

Findings

5. Swire Pacific's Zero Harm commitment requires everyone, regardless seniority or job responsibilities, to go beyond compliance, proactively eliminating potential hazards and creating a safe workplace. In 2021, the company's lost-day rate increased by 11% due to prolonged recovery of a few injuries. Swire Pacific aims to improve injury management and to assist employees to return to work after recovering from injuries.

6. Swire Pacific has been recognized for its sustainability by a number of benchmark and index providers. It was included in the S&P Global Sustainability Yearbook 2022, which recognizes top performers in corporate sustainability, based on assessments of over 7,500 companies across 61 sectors. Companies must be within the top 15% of their industry to be included. It was also included in the 2022 Bloomberg Gender-Equality Index, the only Hong Kong-headquartered company to be included.

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

ESG AWARD

Swire Properties Limited

Findings

1. Swire Properties Limited ("Swire Properties") has produced well-structured Sustainable Development Report 2021. The overall presentation, containing an appropriate level of detail and reader-friendly graphical illustrations, enhances readers' experience. A wide variety of charts aided by good indexing and statistics also enable readers to comprehend the abstract information effectively and accurately.

2. Swire Properties has a solid ESG foundation and clear governance structure on sustainable development that reinforces the integration of the ESG framework into all levels of the business and decision-making process. Not only are there working groups to support different aspects of ESG, but the senior management also actively engage themselves in developing and implementing sustainable strategies. Swire Properties' sustainability performance is well recognized globally by different rating agencies.

3. A table is provided to show an overview of the company's risk profile, including what it considers to be principal existing and emerging risks, possible associated impacts and mitigation measures that are in place or under development. In terms of assessing the effectiveness of risk management and internal control systems, the information being disclosed, overall, is more than many other listed companies on a number of issues (e.g. significant risks reported by internal audit) considered during the assessment.

4. The corporate risk register incorporates ESG-related risks, including climate-related risks, to ensure relevant factors are considered when conducting its corporate risk analysis, with regular reviews of risks and mitigation strategies.

Findings

5. In 2016, Swire Properties launched the SD 2030 Strategy which set out a clear goal and roadmap to be the leader in sustainable development in the industry globally by 2030, built on five strategic pillars (Places, People, Partners, Performance (Environment) and Performance (Economic)).

   The SD 2030 Strategy seeks to reinforce the foundations of good CG and high ethical standards by integrating ESG considerations into all levels of business decision-making process.

   The company has established new targets for 2025 and 2030. For example, for energy saving, Swire Properties intends to reduce electricity use intensity by 20% (for the Hong Kong portfolio) and 13% (for the Mainland portfolio) in 2025 and 40% (for Hong Kong) and 35% (for the Mainland) in 2030 (both compared with the 2019 baseline).

6. Swire Properties has launched various green financing mechanisms since 2018 to support its green building developments and other projects. The first green bond was issued in 2018. The interest rate for their first sustainability-linked loan obtained in 2019 is indexed against improvements in year-on-year ESG performance. As of 31 December 2021, approximately 30% of the company's bond and loan facilities are from green financing.

   The company was named as one of the top 10 companies globally in the "Post-Issuance Reporting in the Green Bond Market 2021" study conducted by the Climate Bonds Initiative, an international organization focusing on green financing.

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

ESG AWARD

Hang Lung Group Limited

Findings

1. Hang Lung Group Limited ("Hang Lung") has a clear sustainability governance structure, which establishes accountabilities and roles and responsibilities among its various units. The board of Hang Lung assumes overall responsibility for the company's ESG strategy and reporting and provides oversight of sustainability trends, risks and opportunities. Under the leadership of the board, the top management oversees Hang Lung's sustainability performance and progress towards achieving its sustainability goals and targets and ESG KPIs.

   The Sustainability Steering Committee ("SSC"), chaired by the vice chair and comprising executives from major departments, meets regularly to ensure that understanding of, and expectations for, sustainability are aligned across the company, while a Sustainability Team, a department responsible for sustainability reporting directly to the vice chair, is the central support for the entire business dedicated to ensure coordination across the company, in the pursuit of sustainability goals and targets.

2. ESG KPIs are directly incorporated into its annual appraisal process for departments and individual employees, setting the stage for biannual performance reviews, including for top management and the CEO. ESG performance is also an important factor in the discretionary bonuses granted at the end of each year, at all levels, including the CEO level. The CEO is accountable for all of the KPIs of his direct reports, including the annual strategic ESG KPIs mandated to various departments by the SSC.

3. Among the leaders in disclosures within its peer group in property development and management, the company:

   - committed to net zero standards under the SBTi, completed its first comprehensive inventory of 2020 Scope 3 emissions and has set a 2025 target for each of its two most significant sources of Scope 3 emissions, i.e. embodied carbon, and tenants' electricity consumption.
   - started to report its climate-related information according to TCFD recommendations since 2019, aiming to complete a technical analysis for climate adaptation measures for all its properties by 2025.
   - established a Service Delivery Safety Management Committee to monitor the safety performance of employees and contractors for its Hong Kong portfolio.

Findings

4. Hang Lung acknowledges the importance of setting goals, targets and ESG KPIs to support the company's sustainability journey. It has formulated a sustainability framework comprising four priorities (i.e. climate resilience, resource management, sustainable transactions and wellbeing), which span its entire operations. For each of the four priorities, annual ESG KPIs were introduced in 2021 and renewed for 2022.

5. Hang Lung's effort in the advancement of sustainability is demonstrated by the achievements it made in 2021. One example is Hang Lung becoming one of the first real estate groups in Asia to commit to setting both near- and long-term targets to reach net-zero value chain GHG emissions by no later than 2050, in alignment with the SBTi's Net-Zero Standard. Another example is Spring City 66 in Kunming being 100% powered by renewable energy.

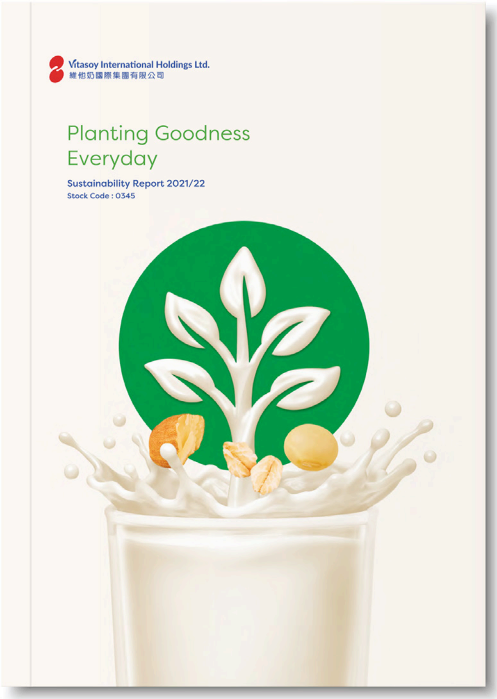
Non-Hang Seng Index Category (Medium Market Capitalization) Category

ESG AWARD

Vitasoy International Holdings Limited

Findings

1. Vitasoy International Holdings Limited ("Vitasoy") has done a good job in setting out its ESG strategy, good governance and risk materiality metrics. The company's Sustainability Report 2021/22 is easy to read with appropriate disclosure of quantitative information. In particular, the company has impressive disclosure of Scope 3 GHG emissions, the progress and actions taken towards meeting KPIs and remedial actions where targets are not being met. The impression is of information presented in an honest and unbiased way.



2. The board assumes overall accountability for the company's ESG strategies and performance. Underneath the board, it is supported by the ESG Committee, whose vision and guidance are formulated based on Vitasoy's sustainability goals, strategies and priorities, and the Audit Committee, which oversees the company's overall risk management, including ESG risks.

   The ESG Committee is further assisted by Group Executive Sustainability Committee, and Sustainability Working Group.

3. The company has adopted the framework recommended by TCFD to discuss in detail the risks and opportunities brought about by climate change and its strategy in responding to these risks and opportunities (e.g. a consumer diet shift to a more plant-based one is the primary driver for business growth in a 2˚C scenario.)

4. The report also contains a summary of the environmental impact of different kinds of its plant-based milk, in terms of carbon footprint, water footprint and land use.

5. Risk management and internal control clearly take into account ESG-related risks, including physical and transition risks. Explanations of the underlying processes are provided to identify, evaluate and manage material ESG-related issues.

6. In terms of the accuracy and verifiability of the Sustainability Report, quantitative information, sources and calculation methodologies have been clearly disclosed and a third party was commissioned to perform an independent verification. Relevant ISO standards have been obtained.

Findings

7. KPIs and environmental and social performance are clearly disclosed with a reasonable level of explanation of any significant underlying changes.

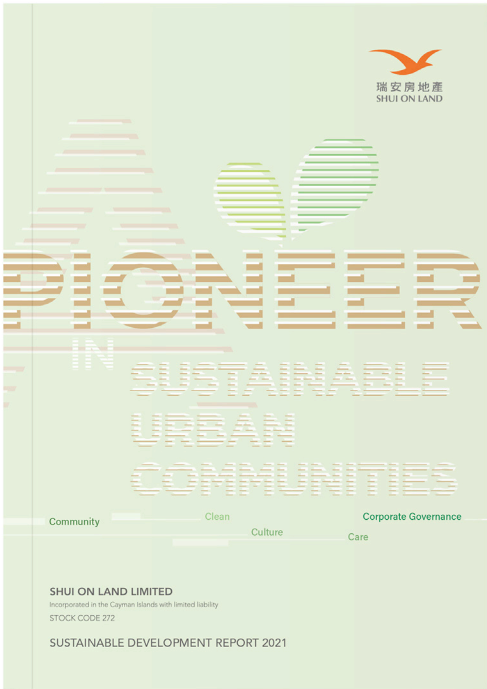
   Scope 3 GHG emissions accounted for 79.7% of the Vitasoy's overall carbon portfolio, based on emissions-related data from 2021/22, reminding the company to prioritize efforts to work with its partners throughout the value chain to drive emission reductions. The majority of its Scope 3 emissions come from emissions associated with the purchase of goods and services, the use of its products and the end-of-life treatment of its products and packaging materials. The findings and emissions data provided important insights for the company to identify opportunities to further its carbon reduction efforts with its suppliers, in terms of the packaging design of the products, as well as minimizing the waste generated operationally.

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

ESG SPECIAL MENTION

Shui On Land Limited

Findings



1. Shui On Land Limited ("Shui On")'s 5C Sustainable Development Strategy ("5C Strategy") specifically outlines the ways that the company intends to achieve its goals, initiatives and plans, and align with some of the UNSDGs. How climate change may impact the organization in the future is also generally discussed in the company's Sustainable Development Report.

2. The planning and execution of the 5C Strategy begins with the board of directors of the company, with a board-level Sustainability Committee, consisting of selected board members to provide direct support to the board, ensuring the alignment between 5C Strategy and the overall business operations.

   The Sustainability Committee directly monitors and guides the company's overall sustainability performance. During a meeting in 2021, it reviewed the 10-year targets of the 5C Strategy, suggested the 2021 strategic focus and key performance indexes, reviewed the 2020 Sustainable Development Report, and discussed the issuance of Sustainability Linked Bonds.

3. The responsibility for specific proposals and the implementation of specific goals at the operational level is delegated to five cross-departmental working teams ("5C Teams"), which report to the Sustainable Development Executive Committee. This committee meets regularly to deliberate on sustainability issues and to make relevant decisions.

4. Under the heading, Risk Management, in the Appendix to the report, the company explains that, considering increasing concerns from stakeholders about its performance on climate-risk identification, control, and mitigation, Shui On conducted a climate-change risk assessment across its portfolio to identify critical risks to its business and to better understand the readiness and effectiveness of its current risk management mechanism. Physical and transition risks were identified through its risk assessment process, and are outlined in the same section.

Findings

5. Explanations on identifying material ESG-related topics in the 2020 report are provided as wellas a cross-reference, with descriptions of benchmarking exercises with peers and feedback from stakeholders.

6. The company engaged a variety of stakeholder groups, including employees, investors, and suppliers, to learn their opinions of various material ESG topics and to ensure that their insights and expectations were taken into account. The engagement exercise comprised seven interviews with four internal and three external stakeholders, which helped the company understand their impression of the newly launched 5C Strategy and its related initiatives, as well as on opportunities for Shui On to increase investor attractiveness or reduce risk in the future.

7. Shui On provides readers with a snapshot about of its achievements during the year under review. A few highlights are:

    - The first company in the Mainland's real estate sector to commit to the SBTi
    - 20% decrease in Scope 1 and 2 carbon emissions intensity from 2020 – a 53.5% decrease from the baseline year 2011
    - Used 100% renewable electricity for the HORIZON shopping malls and Wuhan A1 office tower
    - Forged a strategic ESG collaboration with Green Monday to promote sustainable living and reduce carbon emissions
    - First Mainland-based developer to successfully issue a Sustainability Linked Bond

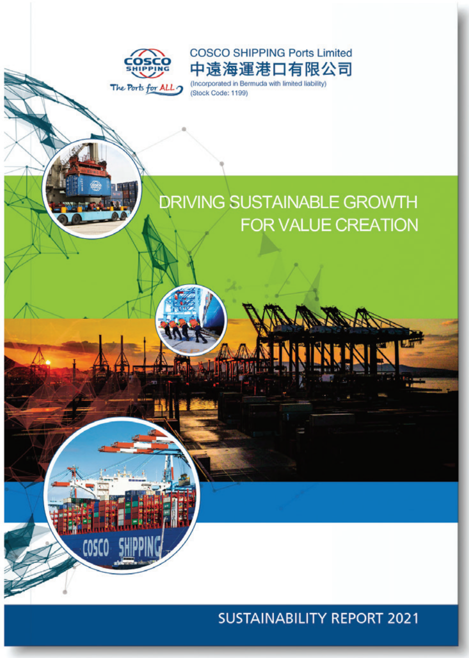
H-share Companies and Other Mainland Enterprises Category

ESG
SPECIAL MENTION

COSCO SHIPPING Ports Limited

Findings

1. The board of COSCO SHIPPING Ports Limited ("CSP") has made a commitment to continuously improving the management and practice of ESG issues, and incorporating high-level ESG principles into its business operations and risk management.



2. The company delegated the duty to enhance ESG-related issues and performance to its Environmental, Social and Governance Committee, which is chaired by an INED. The committee held two meetings in 2021 to review the ESG targets and implementation plans, and monitor the impact of emerging ESG-related disclosure requirements on the company. Stakeholder engagement was conducted and the result of the materiality assessment is reported in detail.

3. The company has aligned its major initiatives with the UNSDGs, integrating them into the company's five key areas of sustainable development. As the company's main business is port operation, building 5G smart ports is one of the company's focus areas, fostering a green and low-carbon shipping environment for international supply chains.

4. CSP acknowledges that climate change poses grave challenges to business operations and that the company continues to work closely with stakeholders to respond to and mitigate the impact of climate change. It upholds a commitment to properly managing natural resources, minimizing the impact of its operations on the environment, and speeding up the development of "Green Ports" to achieve sustainable development.

5. The company makes partial reference to the TCFD framework in disclosing its climate-change mitigation and adaptation strategies in its Sustainability Report, and assessed the physical and transition risks that would impact the company. Business opportunities brought about by climate change to the company are also discussed.

6. In terms of maintaining a safe workplace, during the year, CSP carried out comprehensive safety and environmental protection inspections and safety performance assessments, by conducting a comprehensive inspection of the work environment, large-scale equipment and facilities, potential hazard investigation and rectification, and safety risk identification and control, in order to adhere to the principle of operational safety and provide a strong basis for the company's sustainable development.

Findings

7. The company has established a Steering Team for Energy Saving and Emission Reduction and an Energy Saving and Emission Reduction Management Office to monitor the emission reduction-related policies, performance and targets of the company and its domestic subsidiaries, and has established relevant appraisal and award mechanisms.

8. During the year, the company set short-term and long-term targets for four environmental performances for its subsidiaries, including GHG emissions (Scope 1 and 2), energy and water use efficiency. CSP reports positive progress in 2021, with some trimming down of GHG emissions and resource consumption intensity. The report also details the measures and actions the company has taken to achieve its targets.

9. More generally, relevant quantitative and qualitative indicators on social and environmental performance are provided, supported by a reasonable level of explanation. The report also contains graphs which compare the company's performance on social and environmental KPIs in the past three years, in a simple and easy-to-understand manner.

Self-Nomination Awards

Commendation on Progress in ESG Practices

Baguio Green Group Limited

Findings

1. After being shortlisted in this category, which is open to listed companies in the small market capitalization category and public sector/ not-for-profit organizations, representatives of Baguio Green Group Limited ("Baguio") were invited to meet a small panel of Awards judges and reviewers, so that the panel could learn more about the company's CG and ESG developments. Six out of eight board directors, comprising three EDs and 3 INEDs, attended the virtual meeting, which was impressive in itself. The company showed a high degree of enthusiasm and commitment in terms improving its ESG practices and disclosures, in particular, despite the constraints that it must inevitably face day to day, in running an extensive range of businesses and without huge financial resources.

2. A Sustainability Steering Committee was established in 2021 to manage and monitor the sustainability matters, and serves as a bridge between the board, the ESG Working Group and business units. The committee includes the CEO, the CFO, and the sustainability manager. It determines the company's overall direction, formulating and implementing the strategy for ESG, as well as providing leadership and guidance to the working group for setting goals and objectives that align with the overall strategy.

3. The company is moving towards being a low carbon enterprise, which guides the board's vision. More attention is also being given to the risks and opportunities of climate change as part of the company overall strategy. During the reporting period, the company conducted its first risk analysis on climate change following the recommendations of the TCFD, looking briefly at physical and transition risks, their potential impact, and the company's response to this.

4. With Scope 1 emissions contributing the majority of its carbon footprint, minimizing fleet emissions is a priority. The company has been seeking opportunities to use more renewable energy. It has over 500 vehicles and has put in place a policy to procure electric vehicles ("EVs") to replace petrol-driven trucks, wherever possible. Five electric trucks have been recently acquired. For the large vehicles, as there are currently no EV equivalents available, so they have opted for the lowest emission vehicles. Over 90% of the company's vehicles meet Euro 6 emission standards. They also use electric rather than diesel machinery and will look for equipment with the most energy-efficient grading.

Findings

5. The company has set itself 2030 targets in relation to reducing carbon intensity and energy intensity, as well as for recycling non-hazardous waste, compared with the base year of 2016, and comparative data is provided for the reporting year and previous three years in its Sustainability Report. The Sustainability Report obtained independent third-party assurance for the first time and the scope of the engagement was quite wide.

6. Baguio adopts the COSO ERM framework and a "Three Lines of Defence" system has been adopted. A risk management group, chaired by the CFO and the COO, has been established under the Audit Committee and meets quarterly, when each department gives updates. The board receives regular reports through the Audit Committee, which oversees the risk management and internal audit functions. Risk priorities are reviewed annually and climate change risk has been added into the register.

7. Given the engagement of a significant number of frontline employees, there is a need to prevent injuries and ensure their occupational health and safety. The company indicated that a monthly injury report needs to be prepared and sent to the senior management. Even for less serious incidents, investigations will be carried to prevent the same from happening again.

8. A brief supplier code of conduct has been put in place to ensure that the relevant suppliers meet the company's requirements. Major suppliers are invited to attend interviews with the company to ensure that they are aware of the company's needs and are able to meet its ESG requirements. It was noted that some suppliers may be changed, especially since the company must satisfy the sustainability criteria laid down by its clients, which include the government. The company shares the latest market trends with its suppliers so that they can prepare themselves for compliance.

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The Institute would like to express its appreciation to the judges and reviewers for their invaluable contributions in reviewing, assessing and judging the entries in the 2022 Best CG and ESG Awards.

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	Adele Yim*, Mazars Risk Advisory Services Limited
	** Also conducted ESG reviews*
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	Ava Ho, ZHONGHUI ANDA CPA Ltd.
	Gabriel Kwan, Modern Dental Group Limited
	Roy Lo, SHINGWING (HK) CPA Ltd.
	Basilia Wong, HLB Hodgson Impey Cheng Ltd.
	ESG Review
	Alice Chong, Sterling Private Management
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The Institute would like to thank the following supporting organizations of the 2022 Best CG and ESG Awards (in alphabetical order):

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

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