

ESG Reporting

The Tide is Turning

15 December 2020



Alaya Consulting
本識顧問

Building Trust Through Narrative

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ESG is Our Core Business

2014

Founded

One of the first consultancies focusing solely on ESG disclosure



2017-18

Hong Kong ESG Reporting Awards



Hong Kong
ESG
Reporting
Awards

Recognised outstanding sustainable development leaders in Greater China



2020



2015-16



Became Global Reporting Initiative (GRI) Certified Training Partner in Hong Kong and AA1000 Licensed Assurance Provider

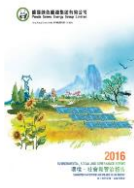
2018-19



Alaya Consulting (Shenzhen)

- Completed over 200 ESG reports
- 1st GRI China online training partner
- 1st consultancy in Asia to receive approval from SBTi on carbon reduction target
- Committed to net zero emission in 2050

Award-winning Track Record



Panda Green 2016 ESG Report won BDO ESG Awards 2018 (Small-cap)

- 1. ESG Report of the Year
- 2. Best in ESG Awards
- 3. Best in Reporting Awards



Panda Green 2017 ESG Report won 2018 Hong Kong ESG Reporting Awards

- 1. Best ESG Report Grand Award (Mid-cap)
- 2. Excellence in Environmental Disclosure Merit Award



AAC Technologies 2016 Sustainability Report won BDO ESG Awards 2018 (Large- cap)

- 1. Best in Reporting Awards
- 2. HKMA Best Annual Reporting Awards
- 3. Citation for Environmental, Social and Governance Disclosure 2017



AAC Technologies 2017 Sustainability Report won 2018 Hong Kong ESG Reporting Awards

- 1. Best ESG Report Grand Award (Large-cap)
- 2. Excellence in GRI Report Grand Award
- 3. Innovative Frontrunner Grand Award



AAC Technologies 2018 Sustainability Report won 2019 Hong Kong ESG Reporting Awards

- 1. Best ESG Report Grand Award (Large-cap)
- 2. Excellence in GRI Report Commendation
- 3. Innovative Frontrunner Grand Award



Baguio 2017 ESG Report won 2018 Hong Kong ESG Reporting Awards

- 1. Best ESG Reporting Merit Award (Small-cap)



Baguio 2018 ESG Report won 2019 Hong Kong ESG Reporting Awards

- 1. Best ESG Report Commendation (Small-cap)



Yip's Chemical 2017 ESG Report won BDO ESG Awards 2018 (Small-cap)

- 1. Best in ESG Awards
- 2. Best ESG Report Grand Award (Small-cap)



Yip's Chemical 2018 ESG Report won 2019 Hong Kong ESG Reporting Awards

- 1. Best ESG Report Commendation (Small-cap)



Chiho 2018 ESG Report won 2019 Hong Kong ESG Reporting Awards

- 1. Best ESG Report Commendation (Small-cap)



Dakota 2018 Sustainability Report won 2019 Hong Kong ESG Reporting Awards

- 1. Excellence in Sustainability Report for Non-listed Company Commendation



CIMC Group 2018 ESG Report won 2019 Hong Kong ESG Reporting Awards

- 1. Best ESG Report Commendation (Large-cap)

Hong Kong ESG Reporting Awards

Independent Judges



Mr. Stephen Wong

Deputy Executive Director and Head of Public Policy Institute Our Hong Kong Foundation



Dr. Robert Gale

Director of Next Level Sustainability, GRI Certified Training Partner in Australia



Dr. Yarime Masaru

Associate Professor, Division of Public Policy, HKUST

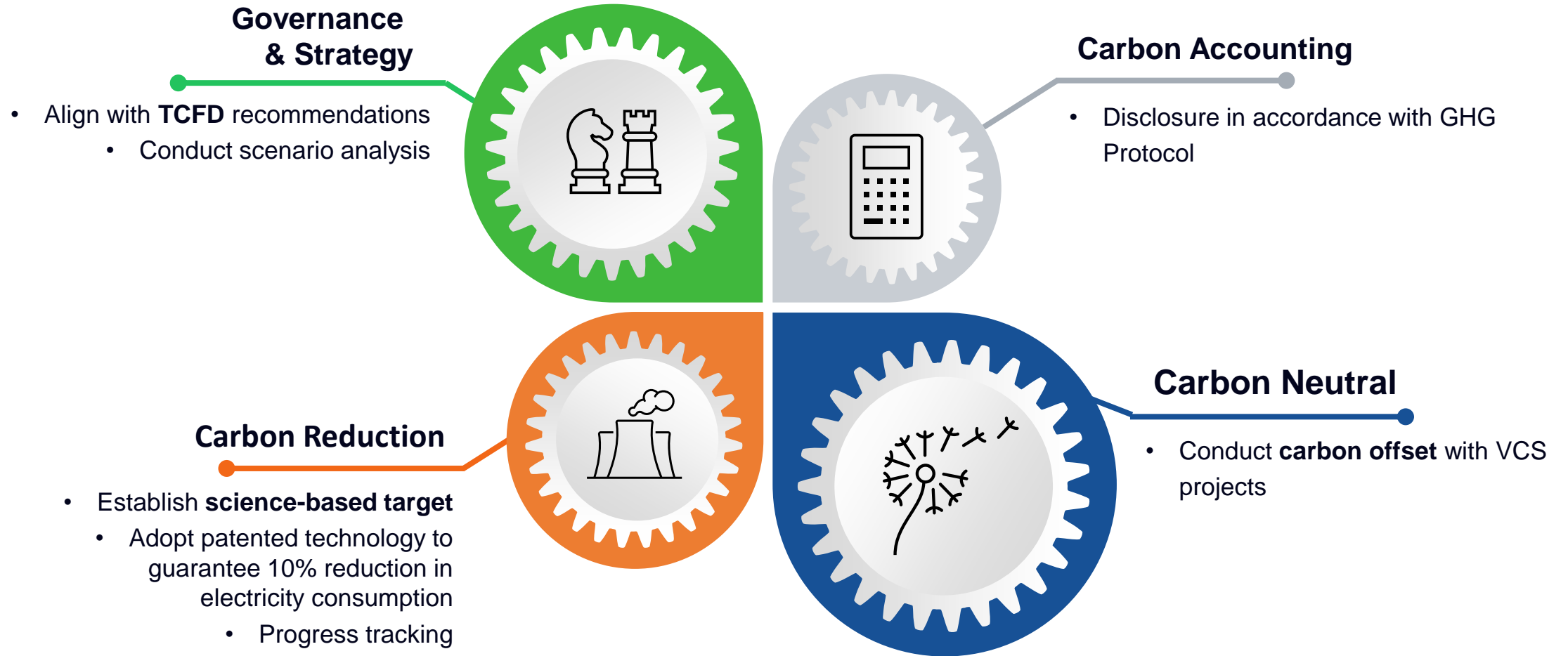


Mr. Angus Ho

Executive Director, Greeners Action



Carbon Strategy and Disclosure



ESG reporting – the tide is turning

Updates on HKEX ESG Disclosure Requirements

Board Statement

- A disclosure of the **board's oversight** of ESG issues
- The board's **ESG management approach and strategy**, including the process used to evaluate, prioritise and manage material ESG-related issues
- How the board **reviews progress made against ESG-related goals and targets**

Reporting Boundary

- Explaining the **reporting boundaries** of the ESG report and describing the process used to identify which entities or operations
- If there is a change in the scope, the issuer should **explain the difference** and reason for the change

Materiality, Quantitative, Consistency

- 1) Disclosure of the process to identify and the criteria for the **selection of material ESG factors**
- 2) Disclosure of the information on the **standards, methodologies, assumptions, calculation tools** and **source of conversion factors** used
- 3) Disclosure of any **changes to the methods or KPIs** used, or any other relevant factors affecting a meaningful comparison

Updates on HKEX ESG Disclosure Requirements

A4: Climate Change

- General disclosures: **Policies on identification and mitigation of significant climate-related issues** which have impacted, and those which may impact the issuer
- A4.1: **Description of the significant climate-related issues** which have impacted, and those which may impact, the issuer, and the actions taken to manage them

Environmental Target Setting

- Companies are required to disclose **environmental related targets** set and steps taken to achieve them:
 - 1) A1.5: **Emissions** targets
 - 2) A1.6: **Hazardous and non-hazardous wastes** targets
 - 3) A2.3: **Energy use efficiency** targets
 - 4) A2.4: **Water efficiency** targets

Social (Comply or Explain)

- 1) B1:1 Total workforce by **gender**, **employment type** (for example, full- or parttime), **age** group and **geographical region**
- 2) B2:1: Number and rate of work-related fatalities occurred in each of the **past three years** including the reporting year
- 3) B5.3: Description of practices used **to identify environmental and social risks** along the supply chain, and how they are implemented and monitored
- 4) B5.4: Description of practices used to **promote environmentally preferable products and services** when selecting suppliers, and how they are implemented and monitored
- 5) B7.3: Description of **anti-corruption training provided to directors and staff**

Material Topics in the Construction Industry

Anti-corruption & Business Ethics

- Training to Board and employees
- Detailed formal policy on bribery and anti-corruption and formal anonymous whistleblower system
- Regular audits of ethical standards

Product Quality & Safety

- Complaints resolution mechanisms
- Quality assurance process and recall procedures
- Collaboration with suppliers and regular audits of suppliers

Occupational Health & Safety

- Quantitative OHS metrics (e.g. lost days due to work injury, LTIFR, % of workers trained on H&S)
- Regular audits
- Enforce H&S standards for contractors
- Promote worker health including mental health and wellbeing



Lifecycle Impacts of Buildings & Infrastructure

- Green building certification
- Incorporate operational-phased energy and water efficiency considerations into project planning and design

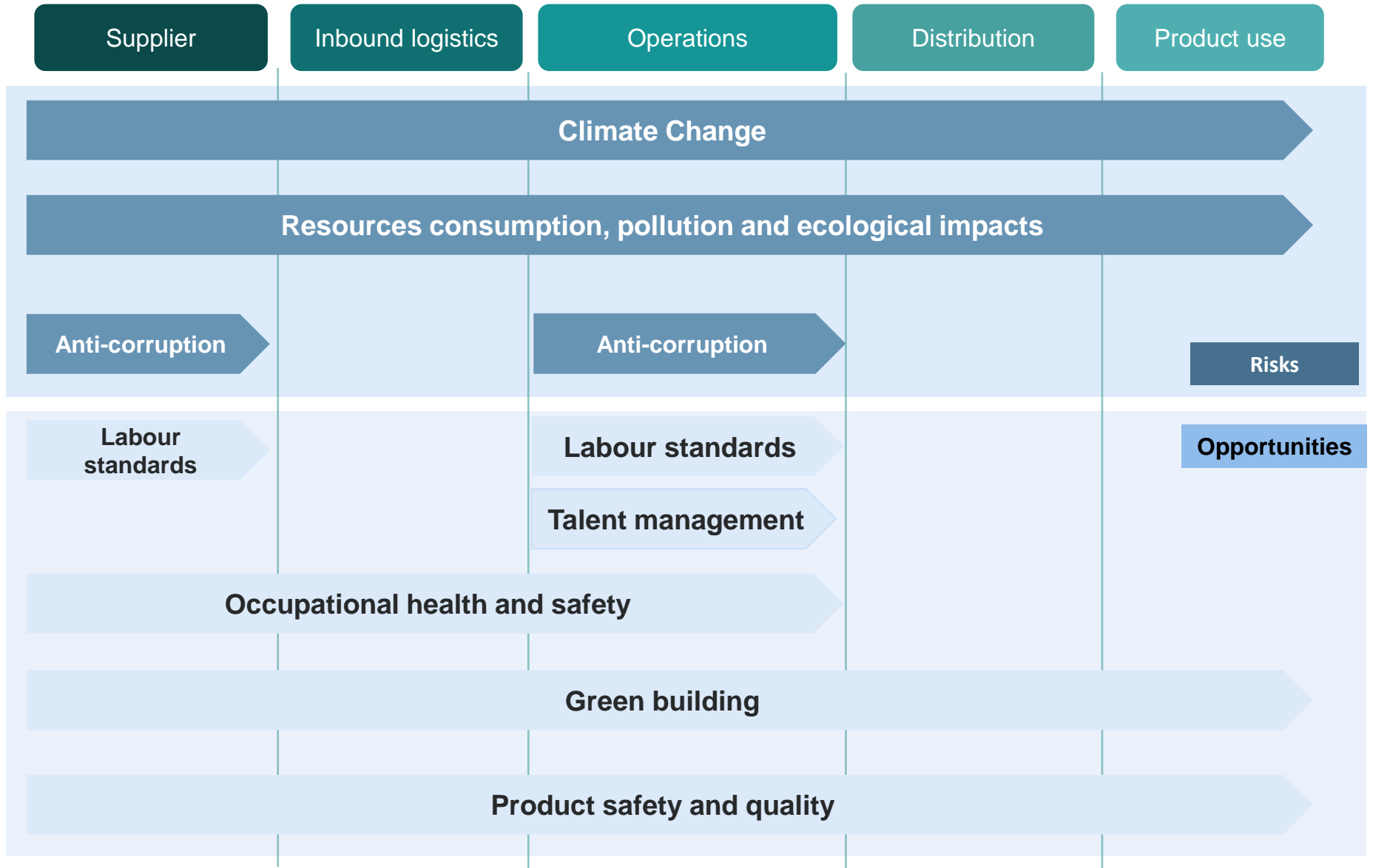
Ecological Impacts of Project Development

- Process to assess and manage environmental risks associated with project design, siting and construction
- Commitments related to greenfield developments

Physical Impacts of Climate Change

- GHG emission
- Use of TCFD process to map out climate risks and opportunities

Construction Industry Value Chain Analysis



How CIC Contributes

Facilitate achievement of global sustainability goals

People

3 GOOD HEALTH AND WELL-BEING

8 DECENT WORK AND ECONOMIC GROWTH

9 INDUSTRY, INNOVATION AND INFRASTRUCTURE

11 SUSTAINABLE CITIES AND COMMUNITIES

建造業安全周
CONSTRUCTION SAFETY WEEK 2020
吊運安全推廣活動

升級大師傅
Become a Master
技術提升課程

2020創意工程安全獎

Operations

16 PEACE, JUSTICE AND STRONG INSTITUTIONS

註冊專門行業承造商制度
Registered Specialist
Trade Contractors Scheme

PREVENTION OF BRIBERY

REFERENCE MATERIAL ON SELECTION OF CONTRACTORS

Environment

9 INDUSTRY, INNOVATION AND INFRASTRUCTURE

12 RESPONSIBLE CONSUMPTION AND PRODUCTION

13 CLIMATE ACTION

CIC GREEN
PRODUCT CERTIFICATION

CIC Carbon Assessment Tool
建造業議會碳評估工具

Community Engagement

1 NO POVERTY

10 REDUCED INEQUALITIES





14 LIFE BELOW WATER

建造業抗疫
關愛行動

樂抵服務月
建造業捐血日

建造業
魯班飯

Demonstrate the achievement of global sustainability goals

	Examples of Initiatives	HKEX KPIs	GRI	SDG
People	<p>Zero Accident Ambassador Award</p> <p>Site Safety Gathering</p> <p>CIC Training Courses and Schemes</p>	<p>KPI B2.3 Description of occupational health and safety measures adopted, and how they are implemented and monitored.</p> <p>KPI B3.1 The percentage of employees trained by gender and employee category</p> <p>KPI B3.2 The average training hours completed per employee category</p>	<p>GRI 403-5 Worker training on OHS</p> <p>GRI 403-7 Prevention and mitigation of OHS impacts directly linked by business relationships</p> <p>GRI 404-1 Average hours of training per year per employee</p> <p>GRI 404-2 Programs for upgrading employee skills</p>	 <p>Target 8.8: Protect labour rights and promote safe and secure working environments for all workers</p>
Operations	<p>Reference Material on Selection of Contractors</p> <p>Procurement Alert-Prevention of Bribery</p>	<p>KPI B5.2 Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, and how they are implemented and monitored.</p> <p>KPI B7.2 Description of preventive measures and whistle-blowing procedures, and how they are implemented and monitored</p>	<p>GRI 205-2 Communication and training about anti-corruption policies and procedures</p> <p>GRI 206-1 Legal actions for anti-competitive behaviour, anti-trust, and monopoly practices</p>	 <p>Target 16.5: Substantially reduce corruption and bribery in all their forms</p>
Environment	<p>CIC Carbon Assessment Tool</p>	<p>KPI A1.2 Greenhouse gas emissions in total</p> <p>KPI A1.4 Total non-hazardous waste</p> <p>KPI A2.1 Direct and/or indirect energy consumption</p> <p>KPI A2.2 Water consumption in total and intensity</p>	<p>GRI 301-1 Total weight of material used</p> <p>GRI 301-2 Recycled input materials used</p> <p>GRI 305-1, -2, -3 Scope 1,2,3 GHG emissions</p> <p>GRI 305-4 GHG emission intensity</p>	 <p>Target 12.2: Achieve the sustainable management and efficient use of natural resources</p>
Community	<p>Construction Industry Sports and Volunteering Programme</p>	<p>KPI B8.1 Focus areas of contribution</p> <p>KPI B8.2 Resources contributed to the focus area</p>	<p>GRI 413-1 Operations with local community engagement, impact assessments, and development programs</p>	 <p>Target 1.5: Build the resilience of those in vulnerable situations</p>



Future Trends

Continuous Improvement of ESG Governance and Practices 15



01. Strengthen the monitoring of material ESG issues and performance, as well as related metrics and goals



02. Through questionnaires and interview, prioritise material ESG issues to form strategies with alignment to SDGs, and to facilitate value creation



03. Clarify the risk assessment process and results for material ESG issues and strengthen the board's involvement in identification and management of ESG risks



04. Identify performance gap and formulate improvement plan for material ESG issues, such as establishing quantitative goals, evaluating the effectiveness of management procedures and reporting to the board on progress toward those goals

ESG Management Model



- ### ESG Management Model
- Establish the ESG Management Model based on the company's core values and corporate culture
 - Construct the four pillars of the model, formulate sustainable development vision and implement concrete measures to strive for best practice
 - Activate the company's ESG governance structure through a systematic governance approach, integrating ESG into decision making process and daily operations

Introduction of TCFD

Task Force for Climate Related Financial Disclosures (TCFD)

Figure 2

Core Elements of Recommended Climate-Related Financial Disclosures



Governance

The organization's governance around climate-related risks and opportunities

Strategy

The actual and potential impacts of climate-related risks and opportunities on the organization's businesses, strategy, and financial planning

Risk Management

The processes used by the organization to identify, assess, and manage climate-related risks

Metrics and Targets

The metrics and targets used to assess and manage relevant climate-related risks and opportunities

Source: Task Force for Climate Related Financial Disclosures, *Recommendations of the Task Force on Climate Related Financial Disclosures*

1

January, 2018

The London Stock Exchange has issued UK-listed companies ESG guidelines, which endorses the TCFD recommendations

2

February, 2019

The Principles for Responsible Investment (PRI) states its climate risk strategy and governance indicators are consistent with the TCFD framework, and will become mandatory for PRI signatories in 2020

3

August, 2019

MSCI has issued TCFD-Based Reporting to guide investors to manage and disclose climate change information in accordance with TCFD requirements

4

December, 2019

HKEX has issued a consultation paper to review the Environmental, Social and Governance Reporting Guide and related Listing Rules, proposing a new A4 dimension on climate change for the financial year starting on or after 1 July 2020

5

CDP and DJSI recommended approach

The Carbon Disclosure Project (CDP) incorporated the TCFD framework into 2018 climate change questionnaire, and **Dow Jones Sustainable Development Index (DJSI)** evaluated the climate strategy components using TCFD recommended criteria

Change in Policy Landscape



Beehive.govt.nz

The official website of the New Zealand Government

15 SEPTEMBER 2020

New Zealand first in the world to require climate risk reporting



HON JAMES SHAW

Climate Change

New Zealand will be the first country in the world to require the financial sector to report on climate risks, the Minister for Climate Change James Shaw announced today.

The changes build on the huge progress this Government has made to tackle the climate crisis.

“Today is another step on the journey this Government is taking towards a low carbon future for Aotearoa New Zealand and a cleaner, safer planet for future generations.

New Zealand requires approximately 200 institutions, including banks, insurers and other institutional investors in asset to make annual disclosures based on TCFD framework on a comply or explain basis.



Policy paper

UK joint regulator and government TCFD Taskforce: Interim Report and Roadmap

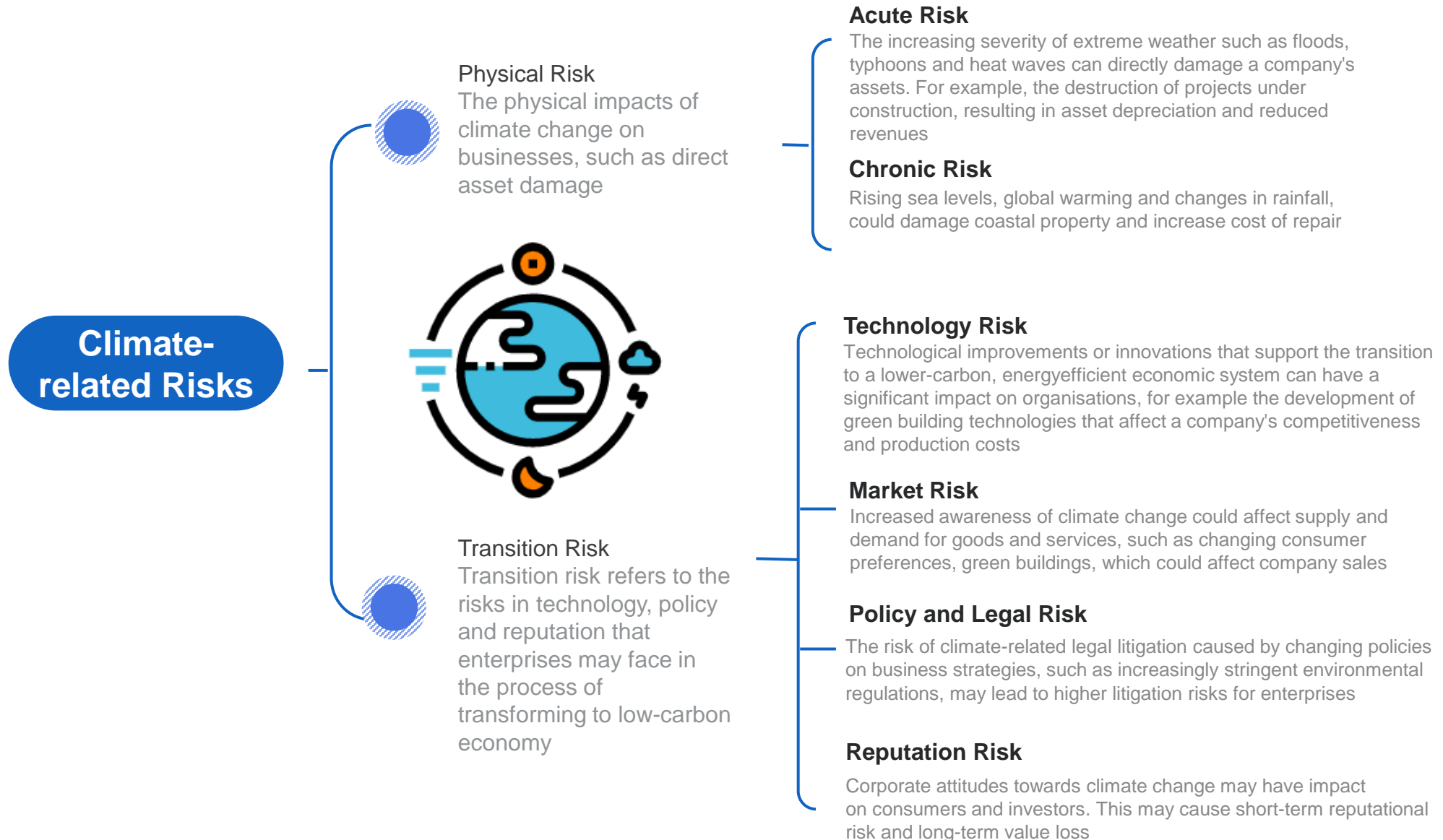
In the 2019 Green Finance Strategy the government established a Taskforce, chaired by HMT and made up of regulators and government departments, to explore the most effective approach to implementing the recommendations of the TCFD.

The UK has announced its intention to make TCFD-aligned disclosures mandatory across the economy by 2025, with a significant portion of mandatory requirements in place by 2023. The UK Taskforce's Interim Report, and accompanying roadmap, sets out an indicative pathway to achieving that ambition.

Published 9 November 2020

The UK intends to require companies to report their financial impacts of climate change on their businesses in alignment with the TCFD by 2025, with significant portion of mandatory requirements in place by 2023.

Climate-related Risks



TCFD Scenario Analysis

Process of applying scenario analysis to climate-related risks and opportunities

Ensure governance is in place

Integrate SA into strategic planning/risk assessment progress



Identify and define range of scenarios



Identify potential responses

e.g. changes to business models, changes to portfolio mix



Assess materiality of climate-related risks

Market and technology shifts, reputation, policy and legal, and physical risks



Evaluate business impacts

Impacts on input, operating costs, revenues etc.



Document and disclose



Science-based Target



Meeting TCFD recommendations

- ✓ Serve as an integral part for meeting TCFD recommendation on setting the carbon emission reduction target – Metrics and Targets

Science-based target (SBT)

- ✓ SBT is a carbon emission reduction target that in line with the level of decarbonisation required to keep the global temperature increase below 2°C compared to preindustrial temperatures

Reasons for setting SBT

- ✓ Comply with the ESG disclosure requirement of listed companies in Hong Kong (i.e. setting environmental targets)
- ✓ Assure investors and clients that the company's progress in carbon reduction
- ✓ Enhance corporate reputation

Construction & Engineering Companies Taking Actions 22

0

Companies have approved science-based targets

14

Companies have committed to science-based targets

1

Companies in Asia have committed science-based targets

Company	ISIN	Target Classification	HQ Location	Region	Sector	Status	Date
Takasago Thermal Engineering			Japan	Asia	Construction and Engineering	Committed	Oct 2020
Skanska AB	SE0000113250		Sweden	Europe	Construction and Engineering	Committed	Jan 2020
Sacyr S.A.			Spain	Europe	Construction and Engineering	Committed	Jan 2020
Ross-shire Engineering Limited			United Kingdom (UK)	Europe	Construction and Engineering	Committed	Feb 2020
PAGO COMPANY LTD			Cameroon	Africa	Construction and Engineering	Committed	Aug 2019
Multiplex Construction Canada			Canada	North America	Construction and Engineering	Committed	Nov 2019
Morfù s.r.l			Italy	Europe	Construction and Engineering	Committed	Apr 2020
McLaughlin & Harvey	GB0005530430		United Kingdom (UK)	Europe	Construction and Engineering	Committed	Nov 2018
Lagan Aviation & Infrastructure			Ireland	Europe	Construction and Engineering	Committed	Sep 2020
Kier Highways Limited			United Kingdom (UK)	Europe	Construction and Engineering	Committed	Jul 2020
John Sisk & Son			Ireland	Europe	Construction and Engineering	Committed	Oct 2020
Eco-Steel Africa Ltd.			Kenya	Africa	Construction and Engineering	Committed	Jul 2019
Armstrong Engineering Limited			Kenya	Africa	Construction and Engineering	Committed	Jul 2019
ARC Alternative and Renewable Construction LLC			United States of America (USA)	North America	Construction and Engineering	Committed	Mar 2020

Construction Materials Companies Taking Actions

7

Companies have approved science-based targets

8

Companies have committed to science-based targets

2

Companies in Asia have approved science-based targets

Company	ISIN	Target Classification	HQ Location	Region	Sector	Status	Date
Taiwan Cement Corporation - View Target	TW0001101004	WB2°C View	Taiwan, Province of China	Asia	Construction Materials	Targets Set	Jul 2020
Shree Cement Ltd. - View Target	INE070A01015	2C View	India	Asia	Construction Materials	Targets Set	Oct 2019
Marshalls plc - View Target	GB00B012BV22	Well-below 2C View	United Kingdom (UK)	Europe	Construction Materials	Targets Set	Mar 2020
LafargeHolcim Ltd. - View Target	CH0012214059	Well-below 2C View	Switzerland	Europe	Construction Materials	Targets Set	Sep 2020
Imerys - View Target	FR0000120859	2C View	France	Europe	Construction Materials	Targets Set	Aug 2019
HeidelbergCement AG - View Target	DE0006047004	2C View	Germany	Europe	Construction Materials	Targets Set	May 2019
Fletcher Building Limited - View Target	NZFBUE000150	Well-below 2C View	New Zealand	Oceania	Construction Materials	Targets Set	Dec 2019
Ultratech Cement Limited			India	Asia	Construction Materials	Committed	Jul 2020
Grupo Cementos de Chihuahua, S.A.B. de C.V.			Mexico	Latin America	Construction Materials	Committed	Jan 2020
DFH Deutsche Fertighaus Holding AG			Germany	Europe	Construction Materials	Committed	Apr 2018
Dalmia Bharat Limited	INE439L01019		India	Asia	Construction Materials	Committed	Aug 2018
CRH plc	IE0001827041		Ireland	Europe	Construction Materials	Committed	Apr 2018
Asia Cement Corporation			Taiwan, Province of China	Asia	Construction Materials	Committed	Jun 2020
Ambuja Cement Ltd	INE079A01024		India	Asia	Construction Materials	Committed	Aug 2018
ACC Limited			India	Asia	Construction Materials	Committed	Jul 2020



Alaya Consulting
本識顧問

Building Trust Through Narrative

Thank
you!