



ENVIRONMENTAL, SOCIAL AND GOVERNANCE (ESG) REPORTING READINESS SUPPORT SERVICES

THE DISCLOSURE REGIME

ESG reporting has been a voluntary disclosure practice worldwide since early 2000, when Global Reporting Initiatives (GRI) issued its first reporting standard. Many private and listed companies are taking up their corporate social responsibilities by disclosing the efforts they make to contribute to the community and protect the environment. The Hong Kong Exchanges and Clearing Limited issued the ESG Reporting Guidelines (Appendix 27) in 2012 (ESG Guidelines). Depending on their needs, listed companies can choose whether or not to early adopt the ESG Guidelines, which is the recommended best practice. While listed companies are not yet required to comply or explain, many listed companies are in the preparation stage and are setting up the necessary framework and mechanism for reporting in the future. Some companies are even aligning their ESG practices to the international reporting standard, ie GRI G4.

In 2014, the Hong Kong Companies Ordinance Cap 622 (the Ordinance) was revised. According to Schedule 5 of the Ordinance relating to the "Contents of Directors' Report: Business Review", such report must contain a discussion on:

- (i) the company's environmental policies and performance; and
- (ii) the company's compliance with the relevant laws and regulations that have a significant impact on the company; and
- (iii) an account of the company's key relationships with its employees, customers and suppliers and others that have a significant impact on the company and on which the company's success depends.

All companies incorporated in Hong Kong are required to follow the above disclosure requirements unless they are exempted.

FREQUENTLY ASKED QUESTIONS

Listed companies usually start their ESG project with reference to the ESG Guidelines and may not have a concrete picture or roadmap of how to put all the related components together. They may lack the knowledge or the necessary techniques and skills to interpret the requirements and develop related tools or mechanisms. Below are some frequently asked questions we have come across:

How do we set the boundary for ESG reporting?

As there is no standard reporting template for companies to report on ESG, it is recommended that management should consider the following when setting the scope of the report:

- The story that the company would like to tell the public about its successful ESG practices
- Company's ESG strategy and vision
- Management's perceived ESG issues and stakeholders' concerns
- Criteria for setting the materiality assessment
- The type of reporting standards to be adopted by the management

How do we report carbon emissions?

Reporting carbon emissions is to follow the ISO-14064 Greenhouse Gas (GHG) Accounting and Verification Standard (the Standard). Within the Standard, there are detailed principles, explanations and guidelines for identifying the scope to be covered in the GHG emission calculation. More importantly, it is recommended that the company should determine a base-line year for future comparison and carbon reduction target purpose.

What KPIs should be included in the ESG report?

In general, the companies are advised to include in the report the KPIs that are relevant to their business. Depending on their situation, companies may also enter other KPIs – apart from the minimum requirements set out in the HKEx ESG Guidelines. Besides, the type of reporting standard the companies are adopting will have an impact on the inclusion of KPIs in their report.

OUR SERVICE OFFERINGS

As ESG practices may cover various topics and areas, we offer a wide range of ESG-related services to our customers:

ESG governance	We can assist management in setting up the documentation that is necessary for ESG Governance, eg terms of reference, roles and responsibilities.
Stakeholders engagement	We can facilitate management's conducting of stakeholders' engagement meetings and offer support for brainstorming and questioning sessions. At the end, we provide a report on stakeholders' concerns with recommendations.
ESG reporting	We can assist management in drafting the content of the ESG report according to the management storyline.
Report assurance	We provide report assurance services over the agreed-upon scope and procedures.
ISO-14064 GHG Accounting and Verification Support	We can assist management to (i) identify and quantify GHG in accordance with ISO-14064, (ii) validate and verify management's GHG accounting results and provide assurance accordingly, (iii) setup the mechanism with reference to ISO-14064, and (iv) provide related training.
ESG ROI	We can calculate and advise you on how to raise the financial return on investment (ROI) of your ESG projects and processes. ESG becomes a profit centre within your company.

Our ESG reporting readiness support services are available to our audit clients as well without concern over issues of independence or conflict with the code of ethics promulgated by the Hong Kong Institute of Certified Public Accountants (HKICPA). The fact is that the core of our services will neither be reviewing the company's accounting system nor be creating self-review threats to our audit engagements.

ROS® | ESG ROI

Like any factory, assembly line or real estate investment, ESG projects generate a financial return on Investment (ROI) for the company.

ESG projects and processes have real financial impacts on revenues, operating efficiency and company value if they are well done. Community engagement can help a bank gain and retain clients, or it can help stifle resistance to an industrial company building a new plant. It can bring regulators on your side, reducing huge fines. Or it can get employees thinking the same way and working more efficiently and innovatively.

Together with its partner Management & Excellence (M&E), a company in New York, Sao Paulo and Madrid founded in 2001 by IE Business School, BDO offers ROS®| ESG ROI, a service to manage and raise the ROI of your entire portfolio of ESG projects. ROS® has been applied to over 100 ESG projects with an investment volume of US\$5 billion in big corporations worldwide.

OUR CAPABILITIES

We have a dedicated team of professionals trained in the ESG reporting requirements, GRI standard and ISO-14064, knowledgeable about carbon audit and experienced in providing all the assistance required to meet your needs in ESG practice.

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